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FINANCIAL TIMES

Europe's Business Newspaper — THURSDAY NOVEMBER 4 1993 — D8523A

Business leaders pessimistic about German recovery

Business leaders in west Germany see no prospect of an early recovery from recession, according to a survey of 25,000 enterprises by the German chamber of trade and industry. While the mood in the east continues to improve, the survey shows deep gloom in the vital western economy. However, latest federal figures suggest manufacturing industry orders in west Germany rose by 1 per cent in September compared with August. Page 2

Air merger plan in crucial phase: Merger talks between Swissair, KLM Royal Dutch Airlines, SAS and Austrian Airlines are poised to enter a decisive stage this weekend. They hope to iron out the choice of a US airline partner for their co-operation project, Alcazar. Page 15

Rabin warns over poll defeat: Israeli prime minister Yitzhak Rabin warned that his Labour party's defeat in Jerusalem elections would damage the Israeli-Palestinian peace process. Page 14

Serbs halt war crimes search: Local Serbs in the Croatian town of Vukovar forced a UN forensic team to stop exhuming a mass grave believed to contain the bodies of 200 Croats, the UN War Crimes Commission said. Permission for the exhumation had been given by Serb authorities in Knin.

Britain agrees to extradition: Britain agreed to extradite Paulo Cesar Farias, Brazil's most wanted fugitive although the two countries have no formal extradition agreement. Farias is accused of masterminding a corruption scandal that brought down ex-president Fernando Collor de Mello. Page 6

Kuwaitis foil Iraqi abduction bid: Kuwaiti workers shot two Iraqi policemen who tried to abduct them in the demilitarised border zone with Iraq, the UN said. One policeman died later in Iraq. Page 3

Merc plans return to grand prix racing

Troubled German carmaker Mercedes-Benz will make a come back to to grand prix racing next year for the first time since 1954, and the next year it will also start competing in North America's rival IndyCar races. The ambitious motor sports programme comes at a time when the company is making losses and cutting jobs. Page 2

MAN, the German commercial vehicles and heavy engineering group, warned profits might have further to fall after a drop of 45 per cent in the year to the end of June. Page 15

Poor prospect for European cars: The west European car market will improve very little in 1994 and sales could fall even further in Germany and Italy, according to UK private forecaster DRI-McGraw Hill. This year European car sales are expected to fall by 16 per cent.

UK supermarket chain J. Sainsbury, the country's biggest, is cutting prices on 300 items. Food retailing shares fell, with brokers fearing escalating price competition would hit profits. Page 15; Lex, Page 14; London stocks, Page 27

BAT Industries of the UK raised taxable profits by 24 per cent to £1.36bn ($2.05bn) for the nine months to September 30, with recovery in financial services more than offsetting the impact of the US cigarette price war on tobacco profits. Page 15; Lex, Page 14

UK toughens stance on jails: British home secretary Michael Howard announced plans to toughen prison discipline. Recorded crime in England and Wales rose 3.8 per cent last year to a record 5.7m offences.

Russia signs physics research deal: Russia signed a three-year agreement to collaborate with Cern, the European Laboratory for Particle Physics in Geneva. Russian scientists will be able to take part in Cern's high-energy research.

Stamps set auction record: A mystery bidder paid SFr5m ($3.3m) in Zurich, Switzerland, for the "Bordeaux cover", an envelope with two stamps sent from Mauritius to Bordeaux in 1847. The price was a record for a single postal item.

■ STOCK MARKET INDICES

FT-SE 100	3162.3	(-1.8)
Yield	3.72	
FT-SE Eurotrack 100	1381.11	(-1.25)
FT-A All-Share	1561.19	(-0.1%)
Nikkei	Closed.	
New York: lunchtime		
Dow Jones Ind Ave	3686.46	(-11.18)
S&P Composite	465.54	(-2.90)

■ US LUNCHTIME RATES

Federal Funds:	2 15/16%
3-mo Treas Bills: Yld	3.147%
Long Bond	102
Yield	6.098%

■ LONDON MONEY

3-mo Interbank	5 11/16%	(5 3/4%)
Liffe long gilt future:	Dec 114 1/32	(Dec 113 15/32)

■ NORTH SEA OIL (Argus)

Brent 15-day (Dec)	$16.24	(15.91)

■ Gold

New York Comex (Jan)	$368.9	(363.6)
London	$364.45	(361.0)

■ STERLING

New York lunchtime:		
$	1.4905	
London:		
$	1.4805	(1.4825)
DM	2.5075	(2.5125)
FFr	8.7375	(8.77)
SFr	2.2225	(2.225)
Y	158.75	(158.25)
£ Index	80.8	(80.9)

■ DOLLAR

New York lunchtime:		
DM	1.6855	
FFr	1.5895	
SFr	1.50375	
Y	107.35	
London:		
DM	1.693	(1.6945)
FFr	1.9025	(5.915)
SFr	1.5015	(1.5005)
Y	107.25	(107.5)
$ Index	66.3	(66.4)

Tokyo close Y Closed.

Austria	Sch30	Greece	Dr300	Lux	LFr65	Qatar	QR12.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 3.75	Slovak Rp	KSL45
Cyprus	C£1.00	India	Rs40	Nigeria	Naira45	South Africa	R12.00
Czech Rp	CZK45	Israel	Shk5.90	Norway	NKr18.00	Spain	Pta210
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Sweden	SKr15
Egypt	E£4.50	Japan	Y500	Pakistan	Rs35	Switz	SFr3.20
Finland	FM12	Jordan	JD1.50	Philippines	Pso45	Syria	S£50.00
France	FFr9.00	Kuwait	Fils.600	Poland	Zl 32,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L8000
						UAE	Dh11.00

Republican poll wins deal blow to Clinton

By Jurek Martin in Washington

PRESIDENT Bill Clinton yesterday put a brave face on election results which saw Republicans sweep Democrats from office in New York City Hall and in the governor's mansions in New Jersey and Virginia.

White House officials rejected suggestions that Tuesday's results would make it more difficult for the president to obtain approval for the North American Free Trade Agreement, on which the House of Representatives is due to vote on November 17.

The administration yesterday sent to Congress the formal Nafta legislation. Senator Robert Dole, the Republican leader, who had earlier described the results as "a big, big defeat for the White House", said he was still confident that at least 110 of the 175 House Republicans would support the treaty.

Mr Clinton said broad conclusions from the Democratic losses should not be drawn because "voters are extremely discriminating, making judgments for their own reason." He added; "I think what you can say is that the American people want change and want results," and he was intent on delivering both.

The most disappointing loss for the president was in New Jersey where Governor James Florio, the incumbent Democrat, went down by 50-48 per cent to Mrs Christine Todd Whitman. Both Mr Clinton and his wife had campaigned for Mr Florio, whose policies in raising taxes and seeking more stringent gun control much resemble the president's.

Mrs Whitman, who has pledged to lower state taxes by 30 per cent over three years, said she won because of Mr Florio's broken promises. "People are fed up with being lied to," she insisted, refuting exit polls which showed many voters doubting that she could deliver on her own commitments.

In New York, Mr Rudolph Giuliani, the former federal prosecutor, became the city's first Republican mayor since John Lindsay left office 20 years ago by ousting Mr David Dinkins, the black incumbent, by 51-48 per cent, an almost exact reversal of four years ago, when Mr Dinkins beat him by two points.

This result was not unexpected, given city discontent with the record of Mr Dinkins, for whom Mr Clinton had campaigned. Voting patterns, very much on racial and ethnic lines, were similar to 1989, but Mr Giuliani secured enough defections from liberal whites and Hispanics, both traditionally Democratic, to win.

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- Democrats lose the big one
- Abrasive Giuliani takes on volatile New York
- Mixed message from mayors of new generation

Presidential involvement in Virginia had been minimal. Here Mr George Allen, son of a famous football coach, trounced Ms Mary Sue Terry, a former Democratic state attorney-general, by 58-41 per cent. Trailing by as many as 30 points in midsummer polling, Mr Allen becomes the first Republican governor in 12 years.

In a closely watched race, his running-mate, Mr Michael Farris, a favourite of the religious right, went down to defeat. But his eight point loss was smaller than anticipated and suggests that fundamentalist Christians can still pull weight at local level. Their next big target will be to get Lt Col Oliver North, the Iran-Contra scandal architect, elected to the US Senate from Virginia next year.

In other public policy issues, California overwhelmingly rejected, by 70-30 per cent, a proposal to issue education vouchers usable in private schools. Anti-crime and anti-tax initiatives generally fared well.

Wildfires return to ravage California

A MALIBU home is engulfed during a night of spectacular destruction as wildfires rage out of control in Southern California. Walls of flame roared through canyons in the Santa Monica Mountains towards the Pacific ocean, consuming at least 350 homes overnight. In Malibu, a city of 15,000 that winds along 27 miles of beach and includes some of the most expensive homes in the region, mansions burst into flames, palm trees became giant torches and cars exploded. It was the biggest of four new blazes that broke out on Tuesday, only 13 days after firestorms swept through the region, destroying an estimated 780 homes and charring 180,000 acres from Los Angeles to the Mexican border. Earlier report, Page 4

Picture Associated Press

Sweeping EBRD changes on way

By Robert Peston in London

A SWEEPING reorganisation of the European Bank for Reconstruction and Development will be announced on Monday by Mr Jacques de Larosière, the central banker who took over as its president just over a month ago.

The restructuring of the aid bank, whose former president Mr Jacques Attali resigned this summer after it was criticised for its extravagance and poor internal management, aims to make it more "user friendly" and responsive to the "specific needs" of countries in the former Soviet Union and eastern Europe, according to a board document.

The bank's most distinctive division, merchant banking, which uniquely among international aid banks concentrates on privatisation, will disappear. The presidential cabinet and the political department, two departments highly valued by Mr Attali, are also being abolished.

The cabinet was an inner circle of executives advising the president, and the political department was a team of political specialists who offended some east European governments with analyses of politicial stability.

The press and public affairs department is also being cut back, with up to half of its 18 staff going. There will be up to 50 redundancies out of a total executive staff of 703.

The bank's board, which represents the countries and agencies that own the bank, is expected to approve the reorganisation at a meeting on Monday.

Mr de Larosière's first working day at the bank was October 4. "He has moved incredibly quickly to make his mark," commented an executive. "We had a big morale problem after all the criticism in the spring and summer. It was important for staff to know how we were going to move forward".

The merchant banking division will be combined with the development banking division, which concentrates on financing and advising on infrastructure projects, such as transport, banking and telecommunications systems. But they will not be combined into a single division. Instead, one new department will provide merchant banking and infrastructure services to northern countries and another will be created for southern countries.

Mr de Larosière has also commissioned a team headed by the bank's new economist, Mr Nick Stern, to carry out a fundamental review of strategy and priorities for the next three years.

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Russia scraps 'no first use' doctrine on nuclear weapons

By John Lloyd in Moscow

PRESIDENT Boris Yeltsin has approved a new Russian defence doctrine, abandoning the "no first use" of nuclear weapons and permitting the stationing of troops abroad.

Russia's Security Council approved the outlines of the doctrine, which for the first time specify the role of the post-communist armed forces after the cold war.

Diplomats and military observers in Moscow said the decision "merely brings Russia in line with other nuclear states".

The "no first use" policy, promulgated by the Soviet Union, was used as a propaganda weapon with which to beat Nato countries which had no such principle.

"The Soviet-era doctrine was a ploy in which Nato never believed and which was a luxury which a state with overwhelming conventional advantage could permit itself," one senior western diplomat said yesterday.

General Pavel Grachev, the defence minister, said Russia would not use atomic weapons against any non-nuclear state that had signed the 1968 Non-Proliferation Treaty – with two exceptions. Nuclear weapons could be used in defence of Russia against non-nuclear states if they were allied with nuclear states or had an agreement with one.

He said the doctrine said nothing on the subject of an attack from a nuclear state – implying that Russia reserved the right for first use.

Mr Oleg Lobov, the secretary of the Security Council in which the doctrine was approved on Tuesday, said in an interview with the daily Izvestia that "if war is launched against Russia or its partners in the union, then we have the right to use all the means we have to defend our most basic interests".

However, Mr Lobov said that "the basic approach of the doctrine is that nuclear war is senseless".

Gen Grachev said that the military was concerned with the growth of conflicts in neighbouring, former Soviet states – and said that "we must try to stop them earlier". He said: "A new idea is that in the interests of Russia and of other Commonwealth members there could be cases where Russian forces and equipment are based outside of Russia."

Russian troops are involved in Tajikistan and Georgia.

Banks see little hope of meeting Emu target

By David Marsh, European Editor, in London

EUROPEAN banks are highly sceptical about the EC's ability to forge a single currency by the end of the century, according to a continent-wide survey published yesterday.

Most banks confess that economic and monetary union would not be in their interest, since they hope to increase profits during the next few years from dealing in financial instruments and securities in individual EC currencies.

The survey highlights a drive to cut costs and bring in new technology, particularly in retail banking. It suggests banks in 21 countries will reduce employment by 250,000 by the end of the decade, with a total of 20,000 branches likely to be closed.

Banks in the UK, Germany and France – all with large financial centres with heavy interest in foreign exchange and interest rate trading opportunities – are particularly sceptical about Emu. UK respondents are the most dismissive, with 95 per cent ruling

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Yeltsin lays down the law to leaders of Russia's regions

By John Lloyd in Moscow.

PRESIDENT Boris Yeltsin yesterday told leaders of Russia's 88 regions and republics to approve a new constitution stripping them of privileges and rights and asserting the power of the presidency and the federal government.

In a toughly worded speech to the regional leaders, the Russian president insisted on removing from the draft constitution all reference to the republics as "sovereign states" and to a right of secession - clauses which had been part of earlier drafts before Mr Yeltsin's hand was strengthened by his military victory over the Russian parliament a month ago.

He also said the 67 regions and the 21 republics must enjoy the same rights and responsibilities - rather than, as now, a bias in favour of republics.

A group of regions, including Tatarstan, Yakutia, Bashkiria, Kabardino Balkaria and Dagestan, have objected to these clauses and demanded changes.

Mr Mintimer Shamiyev, president of Tatarstan, said that "this is the constitution of a unitary state. People in the republics will not support such a draft."

However, after a day's argument, Mr Yeltsin ordered a six-man commission to thrash out an agreed position - while making it clear through Mr Sergei Filatov, his chief of staff, that he would not fundamentally alter the disputed clauses and that if no agreement was reached he would push it through in its present form.

The draft constitution must be completed and published by November 10, a statutory month before elections which will also include a referendum on the constitution.

The republics, especially those in most vocal disagreement with the president, have in the past two years greatly increased their powers in relation to the central government.

While president and parliament were locked in a long power struggle, the ability of Moscow to govern the country, and even to raise taxes, steadily declined.

Many republics - such as Tatarstan and Yakutia, rich respectively in oil and diamonds - have passed laws giving them prior rights to make deals and economic treaties without reference to the centre.

In the aftermath of the suppression of parliament and a display of central authority, Mr Yeltsin is using the period before the elections for a new parliament to stamp his authority indelibly on the country - especially by putting into place a constitution which gives him more powers than enjoyed by the French or US presidents.

Chancellor Helmut Kohl at a cabinet meeting in Bonn yesterday where a law against insider trading was approved Reuter

Paris and Bonn to be Emu symbol

By David Buchan in Paris

FRANCE and Germany will be able to demonstrate to their EC partners later this month "the credible convergence of Europe's two largest economies" by the mid to late 1990s, Mr Edmond Alphandéry, France's economy minister, claimed yesterday.

Speaking a day after he and his German counterpart, Mr Theo Waigel, jointly unveiled the thrust - though not yet the detail - of their medium-term convergence plans, Mr Alphandéry defended his government's estimate that the French economy would recover to grow by an average 3.2 per cent in 1995-1997.

He said this estimate was tenable in view of France's growth record in past decades, and of the fact that France would be bouncing back from its 1992-1993 recession. Mr Alphandéry described the French and German governments' joint preparation of their convergence plans as "symbolic" in the context of the Maastricht treaty's requirement that EC economies should converge on spending and inflation criteria to qualify for monetary union.

EC ministers are to discuss their countries' medium-term plans on November 22, paving the way for the EC summit in December to set general guidelines for economic convergence, as laid down in the Maastricht pact.

Convergence discussions with Germany, which started right after the monetary upheaval of early August, "have led us to adapt our own medium-term projections," Mr Alphandéry said.

The French government had been working on the minimum assumption that France's economy would grow by 2.8 per cent annually in 1995-1997, which would at least bring its budget deficit under 3 per cent of gross domestic product, as required by Maastricht.

But emboldened by official German insistence that Germany, which is France's biggest trading partner, would have average growth of 3 per cent throughout that period, the French government has now put possible post-1995 growth in its own economy at up to 3.5 per cent.

In the much shorter term, Mr Alphandéry scaled down his estimate of this year's contraction in the French economy from 0.8 to 0.7 per cent, in line with the forecast of Insee, the official statistics agency.

Outlook dim in west Germany

By Quentin Peel in Bonn

THE west German business community sees no sign of an early recovery from the current recession, even if the decline in economic activity has slowed down, according to the latest comprehensive survey of business opinion.

The autumn poll of 25,000 enterprises in east and west Germany, conducted by the German chamber of trade and industry (DIHT), shows a continuing improvement in the mood in the east, but an overwhelmingly gloomy assessment of prospects in the vital western economy.

However, the federal statistics office released a more cheerful indicator yesterday, suggesting manufacturing industry orders in west Germany increased by 1 per cent in September, compared with August. The main factor was a 1.5 per cent increase in export orders and a 1 per cent rise in the domestic market.

The combined level of August and September orders was still 5.4 per cent below that of the previous year, with the sharpest decline in the value of orders for investment goods - down 6.7 per cent.

The key conclusions of the business survey are a further decline in investments in the coming year, and a continuing loss of jobs in the west, although with a slowdown in redundancies in the east.

"There is still no sign of a recovery in the [western] economy," Mr Franz Schoser, chief executive of the DIHT. "Signs of stabilisation at a low level are emerging."

A marginal improvement in expectations for 1994 - with 20 per cent of the enterprises expecting an improvement, compared with only 12 per cent in the last spring survey - is based mainly on hopes for a recovery in exports. Some 24 per cent expect higher exports, compared with only 16 per cent in the spring, against 25 per cent expecting lower exports compared with 37 per cent in the spring.

"The frosty investment climate has grown more severe," Mr Schoser said. "The consolidation measures in the public sector are regarded as inadequate. Hopes for a cut in taxes are receding."

One positive assessment was over the effect of the reduction in interest rates, which should reduce business costs, and stimulate consumption.

German companies are taking drastic measures to improve their competitiveness in the current climate, Mr Schoser said, involving cuts in capacity and other rationalisation measures. Employment levels in 1994 would continue to be drastically reduced. The number of enterprises planning to increase employment in the coming year shrank to just 5 per cent, compared with 7 per cent in the spring and 9 per cent last autumn.

Wave of market reforms ready to be unleashed

By John Lloyd and Gillian Tett in Moscow

RUSSIAN authorities are preparing a mass of legislation to put a market system firmly in place, on the assumption that the December 12 parliamentary elections will return a reformist government, ministers said yesterday.

The reforms include:

- Laws on foreign investment which would guarantee property rights and the ability to remit profit.
- A new phase of privatisation from July next year, covering sectors such as energy and transport.
- A decree allowing the government to set strict performance and profit targets for state-owned companies.
- The drastic reduction of the Ministry of the Economy, formerly Gosplan, to a small agency concerned with analysis and forecasting - thus ceding top place in economic management to the Finance Ministry for the first time since the Bolshevik revolution.

The reformers, many of them on the ticket of Russia's Choice, the main party of the right, are confident of securing a reform-minded parliament and thus a radical government. Professor Richard Layard, who co-heads the Centre for Economic Performance in Moscow, reflected their optimism when he said yesterday that "if Russia can stick to a course of tight monetary control and bring down inflation, then by the end of the century it could have the fastest-growing economy in the world".

However, the figures produced yesterday by the Centre remain discouraging. Inflation stayed over 20 per cent in September, while the real exchange rate of the rouble and output continued to fall.

Mr Yegor Gaidar, the first deputy prime minister, told a government session on privatisation yesterday that the mass privatisation of enterprises by voucher would continue until July 1 next year, after which "a deep transformation" of the programme would be set in train, aimed at establishing strong companies and investment groups. The emphasis would shift, he said, from the rapid distribution of state property to individual programmes targeted on industries and companies.

Mr Valery Fateyev, deputy economics minister, said yesterday that a series of laws were now in preparation for the middle of 1994 to give guarantees to foreign investment, to set in place a federal tax structure, to support private property, and to facilitate the sale and purchase of land. There were "no serious investors" in Russia because there were "no guarantees for tomorrow". "The law must give such guarantees," he said.

Mr Viktor Chernomyrdin, the prime minister, called privatisation - which he has criticised in the past - "the locomotive for reform"; while Mr Gaidar said that it was now free from the political pressure exerted upon it by the former Russian parliament.

Cabinet approves draft financial law

By David Waller in Frankfurt

GERMANY came a step closer to introducing a modern regulatory infrastructure for its financial markets yesterday when the cabinet approved the draft of the second Financial Markets Promotion Law.

Mr Theo Waigel, finance minister, said that the law counted as a "quantum leap forward" for the international competitiveness of Germany's financial services sector and was one of the most important pieces of legislation in the life of the current parliament.

The long-awaited law will make insider dealing a criminal offence in Germany for the first time, punishing offenders with up to five years in jail or a fine of up to DM500,000 ($309,000) it will also establish a regulatory body to supervise the German securities industry, a German version of the Securities & Exchange Commission responsible for policing the US securities markets.

In addition it will introduce new disclosure thresholds for share stakes, making it obligatory for shareholdings to be declared when they reach or go over 5, 10, 25 and 75 per cent. At present stakes only have to be disclosed when they reach 20 to 25 per cent compared to 3 per cent in the UK.

The draft law was first proposed by Mr Waigel, finance minister, in January of last year.

It is likely to enacted by parliament in the first half of next year.

NEWS IN BRIEF

De Benedetti legal team voices optimism

Mr Carlo De Benedetti, the Olivetti chairman, could be back at work "within two or three days," according to lawyers defending him against charges of alleged corruption, writes Haig Simonian from Milan. Mr De Benedetti was placed under house arrest on Tuesday after giving himself up to police in Milan. Following a transfer to Rome, where he was formally jailed, he was interrogated by magistrates investigating political corruption.

The terms of Mr De Benedetti's detention at his home in one of the most prestigious parts of Rome are relatively lax. Unlike some businessmen implicated in the 21-month corruption scandal, Mr De Benedetti has been allowed to receive visitors and to use the telephone to conduct his business affairs.

However, Rome magistrates have forbidden him from leaving home until they can weigh up the "new" information, which they claim emerged from Tuesday's two interrogations. Mr De Benedetti admitted in May to Milan magistrates then investigating alleged kickbacks to post office officials that Olivetti had paid about L10.6bn (£4.4m) in bribes to win equipment contracts.

Ukraine foreign currency curb

President Leonid Kravchuk yesterday banned the buying and selling of foreign currency in Ukraine, closing down all auction centres and exchange points, writes Jill Barshay from Kiev.

Hard currency exchange transactions are now confined to government-authorised imports and exports. The decree was the latest in a series, which this week has increased the government's control on the economy, dashing hopes that Mr Kravchuk might try to introduce market reforms before parliamentary and presidential elections due next year.

Thousands of Croats flee town

Croat forces yesterday abandoned Vares, one of their last remaining pockets of control in central Bosnia, to the Bosnian army as thousands of civilians were reported to be fleeing the town, writes Laura Silber from Belgrade. Fearing an assault by the mostly Moslem government army, some 15,000 Croat villagers fled, with 5,000 people hiding out in a quarry south-east of Vares, the UN said. Some 10,000 people were "on the run" in forests surrounding the town, 20 miles north of Sarajevo.

Greek opposition chief chosen

Greece's opposition New Democracy party, which suffered a crushing defeat by the Socialists in last month's general election, yesterday elected Mr Miltiades Evert, a former mayor of Athens, as its new leader, writes Kerin Hope from Athens. Mr Evert, 54, replaces Mr Constantine Mitsotakis, 75, the former prime minister, who resigned the ND leadership when the conservatives lost.

Car sales recovery forecast

New car sales in west Europe are expected to begin a weak recovery next year following the steepest fall in demand in the post-war period in 1993, writes Kevin Done. According to forecasts released yesterday by DRI, the London-based automotive analysts, new car sales in west Europe will rise by around 3.5 per cent next year to 11.89m. Sales are forecast to drop by 15.1 per cent this year to 11.48m from 13.49m in 1992.

Oil industry critical of Norway's tax reform plan

By Karen Fossli in Oslo

THE Norwegian government is drafting changes to its oil tax regime which could increase the burden on foreign and domestic oil companies operating in the country, according to tax specialists.

The minority Labour government aims to complete a draft of the proposed tax reform by the end of the month, but it would be made retroactive to January 1, 1993.

On Monday, Mr Arne Oeien, permanent finance secretary, told a conference in Oslo that Norway was considering reducing tax concessions to oil companies that use high levels of debt to increase their tax allowances.

Industry reaction to the government move has been critical. "This would have a serious negative impact on the Norwegian oil industry as well as Norwegian society as a whole," according to Mr Mark Randle, finance manager of Phillips Petroleum Norway. "There should be no doubt that future investments both onshore and offshore would be hurt by the proposal."

"Also, the fact that the proposal is meant to be enacted with retroactive effect from January 1, 1993, shows that the industry can have little confidence in the Norwegian fiscal framework. There have been investment decisions made with the expectation that the 1992 fiscal framework would last longer than one year."

Last year the government implemented a reform to the petroleum tax regime but it created a loophole for foreign oil companies, allowing them to repatriate funds to parent companies at the expense of the tax authorities. The loss to the government is estimated to be several hundred million kroner annually. At present, oil companies are allowed tax deductions of 78 per cent on the interest payments on their borrowings. Tax specialists say this has resulted in Norwegian subsidiaries repatriating substantial dividends to their foreign parent companies, while at the same time running up borrowings.

The government is now considering reducing the rate of tax deduction allowed on interest payments to 28 per cent.

Mr Anders Utne, a senior executive with Saga Petroleum, Norway's biggest independent oil company, sharply criticised the proposed move. "The government will punish the Norwegian oil companies for the sins of foreign oil companies' subsidiaries operating in Norway," Mr Utne said.

Tax specialists said there could also be an increase in the special tax on petroleum operations, which is currently a 48 per cent levy on extraordinary income from offshore operations. That is on top of 28 per cent corporate tax.

Call to lift restrictions on media

By Andrew Hill in Brussels

EUROPEAN newspaper and magazine owners yesterday warned the European Commission and EC governments against hampering the development of "multimedia" companies.

The European Publishers' Council said media, computer, telecoms and consumer electronics groups in the US and Japan were already forming alliances. They could corner the European market unless restrictions on cross-ownership of different media were lifted, the council warned.

The EPC, which represents 26 European publishers, yesterday launched a report on the multimedia technology which argues that "cross-media activity [in Europe] is not only inevitable but essential if newspaper and magazine publishers are not to lose competitive advantage and so atrophy."

Mercedes back on starting grid

By John Griffiths

MERCEDES-BENZ, the German luxury carmaker, is re-entering grand prix racing next year for the first time since 1954, in one of the most ambitious international motor sport programmes of recent years.

It also plans to compete in North America's rival to the grand prix, IndyCar, in 1995. And it is to use its new smallest C-class model for an official attack on the prestigious German touring car championship.

The loss-making producer, which is currently cutting tens of thousands of jobs is likely to be criticised by some for the extravagance of the move at a time of crisis. Motor sport is one of the most expensive of all promotional and marketing activities. Leading grand prix teams such as Williams or McLaren require at least £20m to operate for a season.

But company executives believe the programme is essential to reinforce Mercedes' threatened image as a technology leader at a time of increasing competition from rivals, particularly the Japanese.

The move into North American motor racing, in particular, is seen as almost unavoidable given that both Honda and Toyota are planning to make their IndyCar debuts next year. North America is by far the world's biggest luxury car market and Toyota's Lexus luxury cars are now out-selling Mercedes by almost two to one.

Mercedes' grand prix and IndyCar involvement will be mainly through the supply of engines, in the same way as Renault and Ford supply engines to the Williams and Benetton teams respectively.

The company said last night that the programme "is a clear commitment to competition and will effectively support the market offensive in the media world-wide".

Brussels urges agreement on steel

By Andrew Hill in Brussels and Haig Simonian in Milan

THE European Commission still hopes to rush through proposals on the restructuring of the Community's state-owned steelmakers in time for formal approval by EC industry ministers in two weeks.

Senior Commission officials yesterday welcomed "positive new elements" in the Treuhand privatisation agency's plans for the sale of Ekostahl, the east German steelmaker. They said they believed an acceptable deal could also be struck with the Italian authorities on the restructuring of Ilva, the loss-making producer.

But national officials believe that there may not be enough time to sort out member states' remaining objections to the Commission's proposals and push for unanimous approval of the Italian, German and Spanish steel restructuring at the November 18 meeting.

Delaying a decision until December would further punish the EC steel industry, which is groaning under the burden of overcapacity, slackening demand and alleged unfair competition from outside the Community.

Wider EC plans to cut capacity and support the steel producers cannot take effect until decisions have been made on the restructuring of publicly owned steelmakers in east Germany, Italy and Spain. The Commission had originally hoped to agree an overall plan for capacity cuts, financial and commercial support, by the summer.

A senior Commission official said yesterday: "We can't possibly postpone this council [of ministers]: either they come to a miraculous agreement [on November 18], or we will have a very direct and dramatic exchange of views which hopefully will clarify the situation and at least pave the way for a final agreement."

Both the German and Italian authorities are expected to submit formal plans to the Commission for the restructuring of their problem steel producers in the next few days.

According to Treuhand plans unveiled two days ago, Riva, the private Italian steel group, is expected to buy 60 per cent of Ekostahl, and invest in the construction of a new hot-rolling mill. Brussels officials said yesterday they would have to examine whether there was sufficient private investment in the hot-rolling mill to avoid adding to problems with overcapacity.

Private steelmakers will not make the painful closures that Brussels believes are required to restore the EC industry to health unless they are sure competition is not being distorted by subsidies.

Ilva, meanwhile, has formally approved a plan to divide itself into three separate operations, seen as a vital precursor to privatisation, or, in some cases, closure. The three operations cover the group's big flat products operation, based at Taranto in southern Italy; stainless steels, based at Terni in Umbria. The third company incorporates all those activities and assets due to be liquidated, along with a majority stake in the quoted Dalmine tubes group, which is set to be privatised.

Commission officials said yesterday they were heartened by the privatisation proposals contained in the Ekostahl plan.

To avoid accusations that the German authorities are covertly subsidising new capacity, German officials indicated yesterday that a separate legal entity, owned by Riva, may be set up to build the new hot-rolling mill at Ekostahl. Riva, one of Italy's leading private steelmakers, is still family-owned, is based in Milan and has most of its productive capacity in northern Italy.

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Iraqi killed in border kidnap bid

By Mark Nicholson in Cairo

A KUWAITI surveyor shot and killed an Iraqi policeman, wounding a second, in a skirmish inside the Gulf state's United Nations-defined northern border, UN observers said yesterday. The incident is among the most serious for nine months on the border, the demarcation of which Iraq has refused to accept.

The UN Iraq-Kuwait Observer Mission (Unikom) said the shooting occurred on Monday afternoon after three Iraqi policemen crossed into Kuwaiti territory 2km west of Umm Qasr port in an apparent attempt to arrest six Kuwaiti surveyors. The Kuwaitis were making a survey of properties along the border strip.

The spokesman said the Iraqi police ignored Unikom warnings to leave the area. One then opened the door of a car in which the Kuwaitis were sitting and the Iraqis fired three shots in the air. One of the Kuwaitis then drew a gun and shot at two of the Iraqis, wounding one in the hand and hitting another in the chest. The two wounded men were taken to the Unikom headquarters in Basra, southern Iraq. The UN spokesman said the more seriously wounded Iraqi later died.

More than 300 unarmed UN observers have sustained a 24-hour watch over the 15km demilitarised zone straddling the Iraq-Kuwait border since the end of the Gulf war. UN officers said yesterday that there have been sporadic shootings, from both sides, over the border, but described Monday's incident as among the most serious since since January, when teams of Iraqis made organised incursions into northern Kuwait in an attempt to retrieve military hardwear left after the war.

However, the UN officials said the incident did not appear to signal rising tensions in the border area. Kuwait is nearing completion of a 3m-deep by 5m-wide trench along the length of its 207km border to prevent Iraqi incursions.

Bhutto's brother tries to end exile

PAKISTANI police fired tear-gas at Karachi airport yesterday to disperse a crowd of thousands awaiting the return from exile of Mr Mir Murtaza Bhutto, the younger brother of Ms Benazir Bhutto, prime minister, Reuter reports from Karachi.

Mr Bhutto is wanted in Pakistan in connection with terrorism charges. Aviation authorities had turned away the aircraft provided by the Syrian government to return Mr Bhutto to Pakistan after 16 years of self-imposed exile, his mother Mrs Nusrat Bhutto said. Officials refused to comment.

"The special flight came to Karachi, circled once over the airport and when it made a second circle authorities refused it permission to land," Mrs Bhutto senior told reporters.

She said the aircraft took Murtaza to Sharjah, in the United Arab Emirates, where he would board a commercial flight for Karachi. At Karachi airport, police and paramilitary forces fired into the air, sprayed tear-gas and baton-charged some of the 3,000 people on hand to greet the 39-year-old Mr Bhutto as they tried to break through a gate on to the runway.

Police say Mr Bhutto, who had been living in Syria, would be arrested on arrival. He is wanted in Pakistan for allegedly leading an underground group, Al-Zulfikar, accused of bombings in several cities and of hijacking a Pakistani airliner to Kabul and Damascus in 1981 in which one man was killed.

He was elected in his absence to the Sind provincial assembly on October 9, and must take the oath before Sunday or forfeit his seat.

Abiola supporter forced out in Nigeria

NIGERIA'S interim government moved closer to winning the backing of the country's national assembly this week when Mr Iyorchia Ayu, a leading opponent, was forced to stand down as speaker of the Senate, writes Paul Adams in Abuja.

The senate, the upper house of a two-chamber national assembly, reconvened on Monday for the first time since President Ibrahim Babangida stepped down on August 26.

The military remained in real control but left day to day administration to an interim government headed by Chief Ernest Shonekan, who leads a civilian cabinet.

Mr Shonekan has promised fresh presidential elections in February, but there has been speculation he would extend his term if given backing for such a move by the assembly.

Mr Ayu, a strong supporter of Chief Moshood Abiola, winner of the annulled presidential poll last June, can stand for re-election at tonight's session of the Senate, but the mood of the house appears to have been shifting towards support for Mr Shonekan.

Of the chamber's 91 members, 55 voted for a motion to elect new principal officers. The vote came at the end of two days of heated exchanges between supporters of the government and of Mr Abiola.

The assembly is to work alongside the interim government of Mr Shonekan until an elected head of state is installed. Since re-convening, the Senate has been preoccupied with political infighting and has yet to consider the banning of the June presidential poll, validity of the interim government and its proposed agenda, including fresh elections in February.

Hosokawa beating off the old guard

William Dawkins on Japan PM's drive to rid electoral system of corruption

THE GRAND old men of Japanese politics are fighting to tone down the new government's plans to reform the scandal-prone political system. Their comfortable jobs are at stake.

Thanks to their efforts, prime minister Morihiro Hosokawa's radical plans to change the electoral system and curb political funding have been delayed. But they still look set to get through parliament, in one form or another, by his self-imposed deadline of the end of the year.

Mr Hosokawa might have to extend the current parliamentary session, due to end on December 15, by 10 days or so. But most people are betting that he will not have to resign, as he has implied he would do if he misses the deadline.

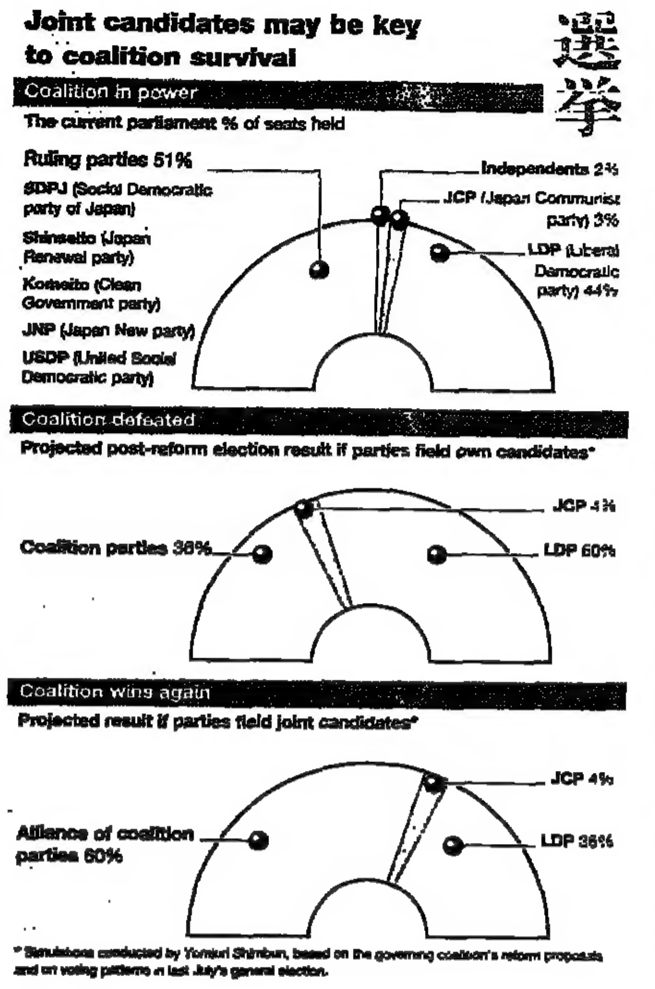
It is the only issue that holds together his unstable seven-party coalition, brought to power in an election in July with the LDP's defeat after 38 years in government, triggered by public disgust with its failure to enact political reform.

Moreover, more than 85 per cent of lower house members want reform, according to a recent poll. The big unanswered question is exactly what kind of reform?

Currently, the lower house of parliament is elected on a multi-seat constituency system, a consequence of which is to pit candidates of the same party against each other, so encouraging politicians to use money and influence rather than policies to attract votes.

The proposals would create a 500-seat lower chamber, in place of the present 511 seats, of which 250 would be in single-seat constituencies and 250 chosen by proportional representation. Voters would cast two ballots.

Corporate donations to individual politicians, an obvious source of corruption, would be banned. Companies would, however, be allowed to give cash to political parties. To ease the pain for individual politicians, there would be a state subsidy of Y41.4bn (£258m) a year to parties to dole out to candidates.



Mr Hosokawa was hoping to get these plans through the lower house of parliament by Friday to ensure time for them to get through the upper house, where his coalition also has a majority, by the end of the session.

However, the coalition has accepted an opposition LDP demand to delay public hearings on the bills – a legal requirement for passage through parliament – until November 8 to 11.

Mr Hosokawa now hopes to get them through by the middle of this month, so that he can present the results to US President Bill Clinton, a keen advocate of Japanese political reform, when they meet in Seattle on November 19 at a summit of the Asia Pacific Economic Co-operation council.

The LDP's interest in delaying the bills appears to be to enforce as many amendments as possible by pushing Mr Hosokawa close to the deadline. It is a high-risk game.

"If the LDP were seen by the electorate to block reform again it would be the final disaster. The party would have to break up," says Mr Jeff Young, political analyst at Salomon Brothers Asia. The party's image is already being further damaged by allegations that it received funds from the scandal-ridden construction industry, in which public investigators have begun to circle around Mr Noboru Takeshita, a former LDP prime minister.

The LDP's capacity to carry out a rational strategy is limited, however, by its internal divisions.

Officially, the LDP wants to shift the balance towards single-seat constituencies, in which well-funded parties such as the LDP, which is still the biggest with 227 lower house seats, fare best.

It has tabled a counterplan for a 471-seat lower house, of 300 single-seat constituencies and 171 under proportional representation. Mr Hosokawa has indicated that he is prepared to compromise.

'If the LDP were seen to block reform it would be the final disaster'

But there is a hard core of between 60 and 70 LDP members of parliament, mainly older politicians, who oppose the whole principle of single-seat constituencies. They have worked for years to build up local constituency support groups and do not relish having to compete against younger people for a single party nomination.

However, the eagerness of Mr Yohei Kono, the new LDP president, to avoid upsetting the old guard rather than aggressively pursue the party's official pro-reform policy has frustrated reform-minded younger members.

Former LDP members now at the top of the coalition are doing their best to woo these ex-colleagues to their camp.

The coalition is also divided. Some members of the Social Democratic party, the largest coalition partner, are unhappy with single-seat constituencies, not because they share the LDP traditionalists' preference for the multi-seat system, under which the former Socialists lost half their seats in the July election, but because they feel they would do less badly under proportional representation.

"Inevitably, Mr Hosokawa will have to water down the package to get it through parliament," says Mr Takashi Inoguchi, professor of politics at Tokyo University. The vested interests that will have to be satisfied are important because they provide an indication of the problems in store for the next stage.

Once those bills are passed, the parties will have to meet in committees to redraw Japan's electoral boundaries. They will have to decide how to split the large multi-seat constituencies into small single seaters and how to shift the disproportionate weight of the rural vote – which counts for roughly three times the urban vote – to the cities.

That process will take at least six months of behind-the-scenes power play. If, as seems likely, Mr Hosokawa is still in a job by then, he is expected to call an election under the new rules around next July, as soon as the new boundaries have been agreed.

The coalition's chance of winning an election after political reform rests on its ability to sink its differences and campaign on a single ticket.

Concern over North Korean weapons

US offers defence assistance to Japan

By William Dawkins in Tokyo

THE US has offered to help Japan to defend itself against a possible North Korean nuclear attack.

Mr Les Aspin, US defence secretary, said after a meeting with Mr Morihiro Hosokawa, the Japanese prime minister, that he had offered Japan at least three options for obtaining a missile defence system. They included buying one of the US's own theatre missile defence programmes currently under development, exchanging technology or launching a new joint development project.

"If they think of another alternative, of a way that they would like to participate, we'd be willing to listen to that too," said Mr Aspin. US intelligence indicated that North Korea did have a nuclear weapons programme, but the evidence on exactly how close it was to producing nuclear weapons was "mixed," he said.

The offer of co-operation is not new. The US and Japan already lead international efforts to persuade Communist North Korea to accept inspection of two suspected nuclear sites by the International Atomic Energy Agency.

However, Mr Aspin's latest gesture has fresh relevance in Japan, where public anxiety over North Korea's military ambitions has reached new heights. The latest source of alarm came last May, when North Korea test-fired into the Sea of Japan a long-range missile that could have reached Tokyo.

Pyongyang boycotts meeting with Seoul over inspections

By John Burton in Seoul

NORTH KOREA said yesterday it would boycott a key meeting today with South Korea, setting back hopes for a resolution of its dispute over nuclear inspections.

North Korea's cancellation of the talks came as senior US and South Korean defence officials met in Seoul to consider whether to suspend their joint Team Spirit military exercise scheduled for next spring.

Pyongyang has demanded that Team Spirit be cancelled before allowing the resumption of routine nuclear inspections by the International Atomic Energy Agency (IAEA).

But the US is unlikely to cancel Team Spirit as long as North Korea fails to achieve progress in talks with South Korea about additional mutual nuclear inspections.

US and South Korean officials had hoped that today's inter-Korean meeting would break an impasse, with the two countries agreeing to exchange presidential envoys who would discuss nuclear inspections and other bilateral issues.

US and South Korean officials believe that the North Korean nuclear inspection issue may now be reaching a critical stage.

Mr Hans Blix, the IAEA director-general, told the UN earlier this week that agency's ability to monitor activity at North Korea's nuclear facilities is in danger of being broken if Pyongyang continues to deny access to IAEA inspectors.

Mr Les Aspin, the US defence secretary, and Mr Han Sung-joo, the South Korean foreign minister, agreed yesterday in Seoul that whenever the IAEA declares the safeguards to be broken, they would stop negotiating with North Korea and ask the UN Security Council to impose economic sanctions on Pyongyang.

"The most important variable right now is Blix's judgment on when the safeguards are broken. Seoul and Washington believe this judgment is entirely up to the IAEA," said a South Korean foreign ministry official.

North Korea has warned that it would take "appropriate countermeasures" if it is threatened with sanctions, implying a military response.

Pyongyang's refusal to meet Seoul appears to be in reaction to the UN General Assembly's overwhelming approval of a resolution on Monday urging North Korea to co-operate immediately with IAEA inspections.

Indian export surge slows down

By Stefan Wagstyl in New Delhi

THE RECENT surge in India's exports slowed down considerably in September, bearing out forecasts that the pace of previous months would prove unsustainable.

Exports in September rose by just 6.6 per cent year-on-year, in marked contrast to the increase of 24.3 per cent recorded in April-August, the first five months of the 1993-94 financial year, according to figures published by the commerce ministry this week.

The slowdown was partly caused by widespread lorry drivers' strikes. But economists also believe that the summer surge benefited from the temporary effect of the shipping of orders postponed from earlier in the year when cities including Bombay, the commercial capital, were hit by civil unrest.

Nevertheless, both government and private sector economists believe that the rate of export growth will remain fairly strong and hit 15 to 20 per cent for the financial year as a whole. They point out that, after allowing for the September slowdown, export growth in the first half of the financial year hit 21 per cent, a record for India.

Finance ministry officials say companies are benefiting from economic liberalisation and from currency devaluation carried out since 1991. Exports of food and agricultural products, textiles, garments, gems and jewellery are all performing well above expectations.

Exports in the six months to September totalled \$10.35bn (£6.8bn). Imports were \$10.79bn, leaving a trade deficit of just \$440m.

The finance ministry is satisfied with the performance of the trade account, which is helping raise India's foreign exchange reserves to record levels of over \$7bn.

However, economists are concerned at the stagnation in imports, which fell 3.4 per cent in the six months to September. This reflects poor demand from recession-hit industry which is suffering from a dearth of orders from the state sector.

State enterprises are being forced to make savings due to a squeeze on the government help they once received.

NEWS IN BRIEF

Singapore trade official charged

A TOP Singapore trade official was charged in court yesterday by the Corrupt Practices Investigation Bureau with deceiving corporate executives and a museum director, Reuter reports from Singapore.

The bureau accused Mr Yeo Seng Teck, chief executive of the state Trade Development Board, of forging documents and cheating local companies in deals worth a total of S\$2m (£860,000) between July 1988 and February 1993. He faces 22 charges stemming from the deals, which involved antiques and art pieces.

Mr Yeo, who is also the chairman of NatSteel and the Empress Place Museum, both in Singapore, recently chaired the board of advisers for an international fine art and antiques fair, billed as the biggest ever in Asia. No plea was taken from Mr Yeo, who was arrested on Tuesday but released on bail of S\$600,000.

Foreign force for Burundi

The Burundian army said yesterday it would not stand in the way of an international force to protect ministers who survived a coup which later collapsed, Reuter reports from Bujumbura.

"It is the government's prerogative and we are only an element of the legitimate government. That is our agreement," said Lieutenant-Colonel Jean Bosco Daradangwa, army spokesman.

He said the army had reached the agreement with Ms Sylvie Kinigi, the civilian prime minister and top official since soldiers assassinated President Melchior Ndadaye and six of his ministers.

Remnants of Mr Ndadaye's government have taken refuge at the French embassy in the capital since the coup on October 21.

The surviving ministers have said they will come out only if an estimated 1,000 foreign troops are deployed to protect them.

The army, controlled by the relatively small but powerful Tutsi tribe, had previously opposed foreign troops intervening.

East Timor troops reduced

Indonesia has only one army combat battalion left in remote East Timor and all other soldiers there are engaged in development projects, the official Antara news agency said yesterday, Reuter reports from Jakarta.

In an address to Jakarta-based defence attachés from about 20 nations, Colonel Johny Lumintang, commandant of the Wira Dharma military district which overseas security in the troubled area, said the government planned gradually to reduce the number of troops as socio-economic conditions improved.

Witnesses said up to 180 people were killed in the capital, Dili, on November 12, 1991, when troops opened fire on a crowd mourning the earlier death of a pro-independence sympathiser.

Hangings in Cairo prison

Egypt hanged three Moslem militants yesterday after convicting them of plotting to overthrow the government, Reuter reports from Cairo.

The hangings in a Cairo prison brought to 18 the number of militants executed this year. At least 210 people have been killed and more than 500 have been wounded in battles between militants and the police over the past 18 months.

Protest vote may decide NZ election result

Nikki Tait reports on the likely fortunes of the main parties and their alternatives

WITH three days until the election and the opinion polls still in his favour, Jim Bolger, New Zealand's prime minister, is campaigning the safe way.

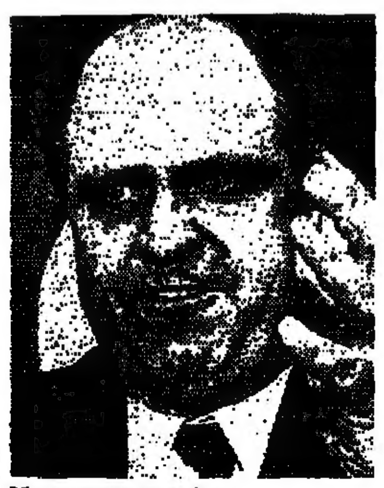
A typical day in Wellington includes lunch with a local chamber of commerce, a visit to a leather goods company which has already won commendations for export performance, and a tour around a sparkling new supermarket.

Schedules like this produce few challenges. "I'm not asking for any lollies, but perhaps in your second term, you could look at the state of the hospitals," is the extent of the "critical" questioning at the lunch.

The style of Mr Mike Moore, the one-time builder's labourer who heads the opposition Labour party, is different. He stands on a wind-swept industrial park in Christchurch and tries to sell a community jobs scheme to a group of unemployed youngsters. Shouting over the rumble of a dual carriageway, he talks almost exclusively about social issues, and the rising tide of petty crime which he links to the 9.9 per cent jobless rate.

"Everywhere you go, the most pressing problem is unemployment. One in four teenagers is unemployed and that is unacceptable. Productivity, growth can lift, but jobs go down.

Bolger: a safe way



Moore: more engaging

Unless we break this, there will be generation of New Zealanders who will never have a job, never have a home. This country can do better.... I'm ashamed of some the things which have happened here. Maybe, they've got some excuse in Los Angeles or London, but it (urban violence) shouldn't happen here."

Most New Zealanders find Mr Moore's style far more engaging and the opposition leader wins hands down in the personal popularity stakes. But this has yet to translate into backing for Labour itself, which is tainted with creating some of the problems Mr Moore deplores, and whose policies are viewed as barely distinguishable from Mr Bolger's National party.

Throughout the campaign, National has kept a slim edge on its main opponent and there are some signs that the gap is increasing in the final days. The National party has been drawing 37-39 per cent support among "decided" voters, Labour 32-34 per cent. The latest poll, released this week, put the figures at 39 and 32 per cent respectively.

This leaves a large number of undecided voters – about 14 per cent in the latest poll – and two fairly credible "alternative" parties. They are the Alliance, a coalition of five left-leaning, green and Maori parties, and New Zealand First, headed by Mr Winston Peters, a former National party MP.

Under the present first-past-the-post system, neither is expected to pick up more than two or three seats in the enlarged 99-seat, single-chamber parliament. But they may yet hold the key to the next New Zealand government. If floating voters decide that they are so fed up with both National and Labour that they would prefer to register a protest vote, Mr Moore will have difficulty securing the 6 per cent swing he needs to oust Mr Bolger. If support for the two alternative parties fades at the last minute, Labour may be in with a chance.

Over the past few days, the former has looked the more likely, with the Alliance, in particular, gaining ground. The coalition is led by Mr Jim Anderton, who broke away from the traditional Labour party in 1989 and formed the New Labour party, one of the five Alliance coalition partners.

The Alliance talks of progressive income taxation and a top marginal rate of 49 per cent, compared with 33 per cent at present. It would raise taxes on fossil fuels and companies, and phase out goods and services tax in favour of a new "financial transactions tax."

On the other side of the ledger, the Alliance promises to pump about NZ\$1bn (£375m) in infrastructure works, creating 40,000 jobs; restore welfare benefits cut by National; abolish the new regional health authorities, and insist on free health care for everyone; repeal National's labour market reform legislation; and more.

The problem for Mr Moore is that Mr Anderton's message seems to be selling well in marginal electorates, especially around Auckland, which Labour badly needs to win.

New Zealanders are not just voting for a new government on Saturday. They are also voting on whether to alter the electoral system in 1996 to a proportional representation one, under which only about half the 120 MPs, in an enlarged parliament, would represent specific electorates. The remainder would be drawn from a national "party list." If the system were up and running today and the opinion polls correct, Mr Anderton would be looking at 15-20 seats.

Abrasive Giuliani takes on volatile New York

NEW Yorkers have elected a white former prosecutor who talks tough on crime as their first Republican mayor in a generation in the hope that he can improve what many perceive to be a declining quality of life in America's largest city.

But Mr Rudolph Giuliani, who defeated Mr David Dinkins, the black, one-term Democratic mayor in Tuesday's election, will face formidable hurdles - political, economic and fiscal - in pursuit of his pledge to put a shine back on the Big Apple.

Mr Giuliani, the 49-year-old son of a bar owner in the borough of Brooklyn, won 51 per cent of the vote to Mr Dinkins' 48 per cent, reversing the outcome of the previous election in 1989, when Mr Dinkins won by a mere 2 per cent.

The voting pattern was very similar to 1989, with Mr Giuliani picking up some 75 per cent of whites (who made up about half the voters), Mr Dinkins taking virtually all the blacks (about 28 per cent of voters) and gaining around two-thirds of the Hispanic vote (around 13 per cent of voters).

The crucial difference from 1989 appears to have been the defection to Mr Giuliani of enough educated white voters and Hispanics to give the Republican candidate the edge. And those voters were particularly concerned about the quality-of-life issue.

New York is slowly emerging from a four-year recession which has wiped out nearly 400,000 jobs, it has a high (though recently falling) crime rate, and its constant struggle to balance its budget in recent years has left it with a rotting infrastructure.

Race relations are always liable to sudden flare-ups, though they are less tense than in many other American cities, thanks to the heterogeneous nature of New York's population.

Mr Giuliani, the first Republican mayor since Mr John Lindsay, who ran City Hall from 1966 to 1973, comes to this volatile set of problems with a slate of new, if sometimes vague, policies, and a mix of advantages and drawbacks.

Perhaps the greatest question mark facing his administration is whether he has the personality to build the broad coalitions necessary to run New York smoothly.

Educated at New York University's law school, Mr Giuliani sprung to prominence in the 1980s as a tough crime fighter. He served for a time as number three in President Reagan's Justice Department before becoming US Attorney for the Southern District of New York, where he vigorously pursued the Mafia and Wall Street insider traders.

Martin Dickson on the city's new mayor

In these jobs and in his pursuit of City Hall in 1989, he came across as a distinctly puritanical, impatient man, with a short temper and a lust for publicity.

During this autumn's campaign he has presented a more mellow, less wooden appearance, but he still lacks the charisma of the handsome, aristocratic Mr Lindsay, which helped him govern a city whose elected officials remain overwhelming Democratic.

However, Mr Mitchell Moss, who heads the Urban Research Center at New York University, argues that Mr Giuliani will have the advantage of a co-operative Democratic City Council, not least because voters on Tuesday also displayed their dissatisfaction with the political establishment by approving a measure limiting elected officials to eight years in office.

In another sign of unhappiness, the overwhelmingly white inhabitants of the borough of Staten Island voted to take the first step towards secession from the rest of New York City.

Mr Giuliani also has to show he has the character to reach out beyond his white electoral backers to the black community, which is deeply distrustful of him and will be smarting from the defeat of Mr Dinkins, the first black mayor of a major US city to lose his first re-election bid.

Mr Dinkins, a kindly, gentlemanly figure, failed partly because of poor campaign strategy and partly because of the reputation he gained in his term for very mixed administrative abilities. Nevertheless, he did manage to ease a great deal of racial tension in the city. The fear is that Mr Giuliani's abrasive personality could exacerbate it.

Mr Giuliani's campaign advisers were almost entirely white and male, though in his victory speech early yesterday he promised that "nobody - no ethnic, religious or racial group - will escape my care."

On economic, fiscal and business matters Mr Giuliani could prove much more effective than Mr Dinkins, who is widely faulted for failing during his term to do more to bring the city's vast $31bn budget under control.

The new mayor has promised to reform the city's tax structure and bring a "managerial revolution to City Hall" - a reference to the new fashion among US municipalities for the privatisation of services or incentives to improve worker productivity. He has promised to cut the city's payroll by 34,000, but has not spelt out how he will do this.

Budget cuts will certainly be necessary - and quickly, for when he takes office on January 1 Mr Giuliani is expected to inherit a shortfall of several hundred million dollars in this year's budget and gaps of some $2bn in each of the next three years.

As he starts to hack, every community will be watching, ready to denounce him for the merest hint of ethnic or political bias. For Mr Giuliani, no less than Mr Dinkins, the great American melting pot promises to remain very hot.

Democrats lose the one that counted

IF THERE was one constant message emanating from the White House and from national Democratic party strategists in the weeks before the off-year elections on Tuesday it was that the only truly representative contest was for the governorship of New Jersey.

New York and Virginia were special cases, they all said, while mayoral races and other public policy issues on ballots across the country merely proved that all politics are local. Their contention was based on the confidence, reflected in opinion polls, that New Jersey Governor James Florio, the Democratic incumbent, would win and thereby demonstrate that pursuing tough, tax-raising policies did not necessarily translate into defeat.

Governor Florio lost. He did not go down by much to Christine Todd Whitman, the Republican challenger, but his defeat, combined with the victories of Rudolph Giuliani in New York and George Allen in Virginia, meant Republicans swept Democrats out of office in the three most widely watched and and partisan confrontations.

More than that, voters in Maine, in New York City and in two New York counties showed their displeasure with incumbents by approving limitations on the number of years or terms their elected representatives may serve in office. In New Jersey a proposition subjecting politicians to recall also won approval.

Term limits is a popular cause among Republicans, who remain the minority party in most of the country. So is law and order, which again was vindicated in Washington state, where an initiative mandating life imprisonment for felons convicted three times was approved, and in Texas, which backed a $1bn bond issue to build more prisons.

Not everything on the conservative/Republican wish list was granted. In California, Proposition 174 was defeated by 70-30 per cent. It would have issued state vouchers, worth $2,600 a child, for parents to use at schools, state or private, of their choice. It had been vigorously opposed by Mr Pete Wilson, the Republican governor, and President Bill Clinton.

Jurek Martin on the lessons of regional US elections

In Washington state, one drastic anti-tax initiative to roll back most of a recent $1.2bn tax increase went down by 56-44 per cent. The fate of a more modest alternative, tying future tax increases to rises in state personal income, hung in the balance yesterday.

The significance of these Republican gains can be over-emphasised. Both off-year elections and those that take place in the middle of a presidential term, more often than not go against the "in" party, though the latter elections, encompassing all the House, a third of the Senate and a majority of governorships, are much the more important.

Nevertheless, it is possible that incumbents facing elections next year will construe the results on Tuesday as a warning not to buck local opinion if it does not like presidential or national party policies. This may make it harder, for example, for some Democratic congressmen, especially those who voted in favour of the tax increases in the budget this summer, to come off the fence and support the North American Free Trade Agreement later this month.

In New Jersey and in Virginia it was apparent that the quality of respective campaigns mattered a lot. Mrs Whitman's critical decision was to shake-up her staff operation last month and vest full authority in Mr Ed Rollins, the veteran Republican consultant.

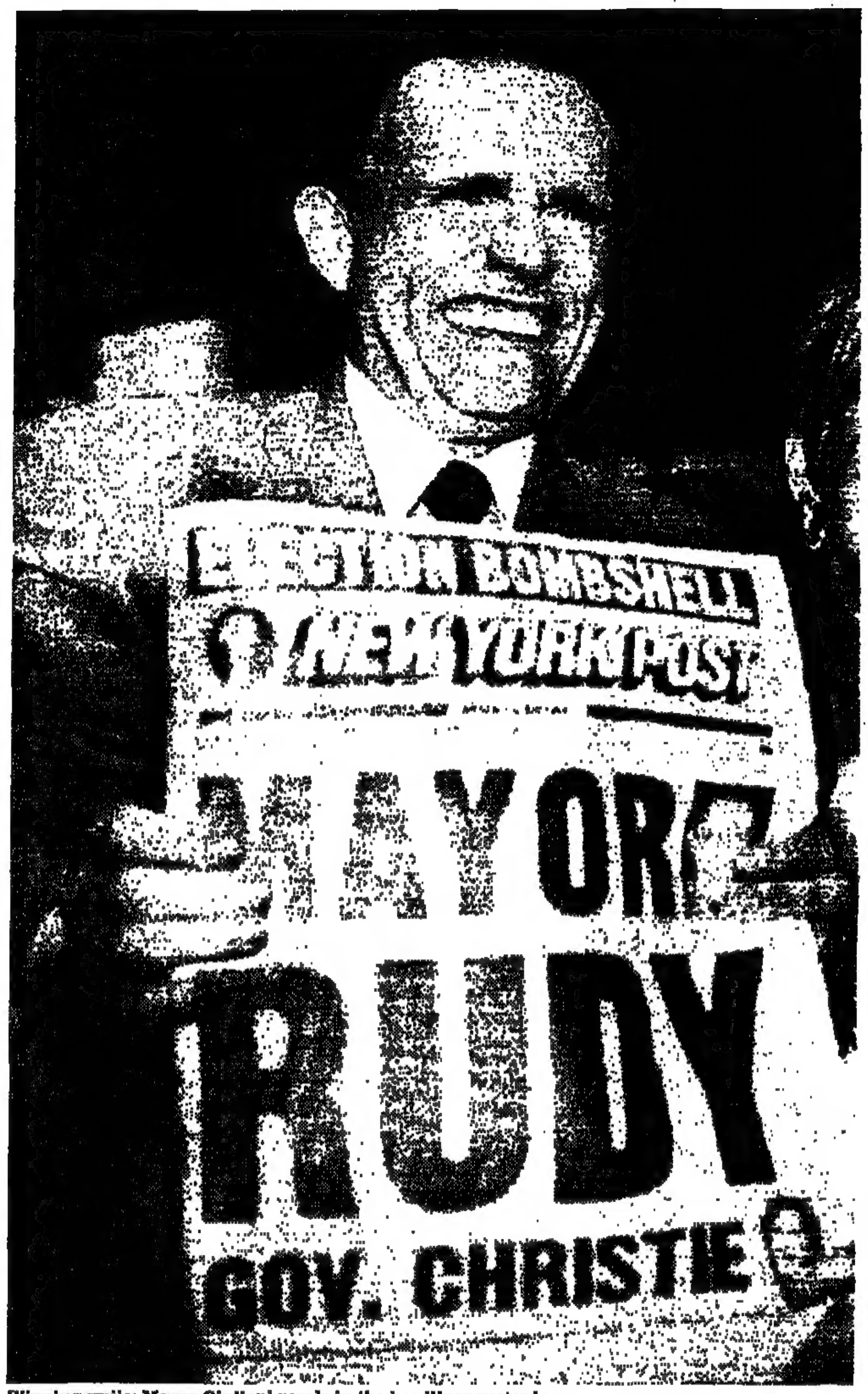
He cast her image in a far more positive light and induced her to attack more directly Mr Florio, who, under the guidance of Mr James Carville, President Clinton's election mastermind of last year, had turned a big deficit into a measurable lead with two weeks to go.

In Virginia, Ms Mary Sue Terry, a former Democratic state attorney general, ran what is universally agreed to have been a truly terrible and mostly negative campaign against Mr Allen, converting a 30-point summer lead into an 18 point loss.

In a significant sub-plot of the campaign, Mr Michael Farris, the Republican, lost his bid to become lieutenant governor by 54-46 per cent. A pure product of the religious far right, he was sufficiently encouraged by his showing to announce that he would run again.

This was immediately taken as evidence that ultra-conservatives are thinking of splitting away from the national Republican party three years from now. If Lt Col Oliver North, of Iran-Contra notoriety, wins the Senate race in Virginia next year, now a distinct possibility, the state will become the centre of this movement.

At least Mrs Whitman's victory gave the lie to one of the more popular pre-election theories - that the advance of women to elected offices so evident last year was going to come to a juddering halt. Mrs Whitman seems to have run at least as well among New Jersey's male voters as among its women.



Winning smile: Mayor Giuliani revels in the headlines yesterday Reuter

Mixed message from mayors of new generation

By George Graham in Washington

TUESDAY'S elections have brought in a new generation of mayors in many of the largest US cities and mixed up some of the traditional maxims about racial and ethnic divisions in urban politics.

Although only a handful of incumbents lost at the polls, in cities like Detroit, Boston and Minneapolis the voting brought down the curtain on an era with the retirement of long-time mayors.

In Detroit, Mr Dennis Archer, a former judge running on a low-key platform of good management, defeated Ms Sharon McPhail, the preferred candidate of Mr Coleman Young, who retired after 20 years as mayor of the city.

None of the five largest cities has a black mayor

In Boston, Mr Thomas Menino, who became acting mayor when Mr Ray Flynn, the long-time incumbent, was appointed US ambassador to the Vatican, won the office in his own right, breaking a 60-year stranglehold by politicians of Irish descent.

In Minneapolis, Ms Sharon Sayles Belton became the city's first woman mayor, after the retirement of Mr Donald Fraser, 14 years in office.

In Atlanta, Mr Bill Campbell won 49 per cent of the vote and appeared strongly positioned to win a run-off on November 23 against Mr Michael Lomax. Whatever the outcome Atlanta's new mayor will represent a changing of the guard from Mr Maynard Jackson and Mr Andrew Young, the civil rights era leaders who dominated city politics for the past 20 years.

New York was one of the few cities to stage a straightforward battle between a Republican and a Democrat. In many US cities, clean government reforms instituted in the 1920s ban party labels from mayoral elections, while in others - such as Pittsburgh, where Mr Tom Murphy, the Democratic candidate, will succeed the retiring Mayor Sophie Masloff - one party dominates so completely that the race is effectively over once its candidate has been chosen.

Although Mr Dinkins lost in New York to Mr Rudolph Giuliani, and an outsider defeated Ms Carrie Saxon Perry, mayor of Hartford, Connecticut, for the last three terms, other incumbents were re-elected.

Mr Bob Lanier in Houston, Mr Norm Rice in Seattle and Mr Mike White in Cleveland all proved that incumbency was not a fatal handicap in this year in which many voters seemed ready for a change.

Mr Dinkins's defeat, following the retirement earlier this year of Mayor Tom Bradley of Los Angeles, means for the first time in two decades, none of the five largest cities in the US will have a black mayor.

The messages sent by this election about the importance of race and ethnicity in urban politics are, however, blurred. Ms Belton in Minneapolis and Mr Bill Johnson in Rochester proved, like Mr Rice in Seattle before them, that black candidates could win in cities with mostly white populations.

Similarly, Mr Menino proved you no longer had to be Irish-American to win in Boston, while in Tuesday's run-off in Miami there is a chance a non-Cuban, Mr Steve Clark, may win.

California fires continue path of destruction

By Louise Kehoe in San Francisco

WILDFIRES continued to rage out of control in Malibu and other parts of southern California yesterday, after a night of spectacular destruction. Walls of flames roared out of the Santa Monica mountains and down canyons toward the Pacific ocean, consuming at least 200 homes overnight.

In Malibu, a city of 15,000 that winds along 27 miles of beachfront and includes some of the most expensive homes in the region, hillside mansions burst into flames, palm trees became giant torches and cars exploded from the heat.

The Malibu fire was the biggest of four new blazes that broke out on Tuesday, only 13 days after 13 huge firestorms swept through the region, destroying an estimated 780 homes and other buildings and charring 180,000 acres from Los Angeles to the Mexican border.

In addition to the Malibu fire, blazes were reported to the east and south in Riverside County, San Bernardino County and San Diego County.

Driven by 50mph Santa Ana winds, the fires raced through the coastal hills and canyons of Malibu on Tuesday night, thwarting the efforts of more than 3,000 firefighters and hundreds of volunteers who attacked the flames from the ground and air.

Authorities estimated that damages would run into hundreds of millions of dollars.

Among the victims of yesterday's Malibu blaze were several Hollywood celebrities, including Sean Penn and Bruce Willis, whose homes were destroyed.

Some 2,000 people were forced to evacuate the area, with many more leaving voluntarily.

An evacuation was ordered for the exclusive "Malibu Colony", home to many celebrities, including Larry Hagman, Johnny Carson, Barbra Streisand, Steven Spielberg, Dustin Hoffman and Sylvester Stallone. "The fire is making progress. I can't say that we are," Mr Brian Gordan, Los Angeles Fire Chief, said yesterday morning. Some 30,000 acres have already been consumed, he estimated.

New flare-ups threatened Pepperdine University yesterday morning and parts of the Pacific Coast Highway, which winds along the coast, were on fire, preventing firetrucks from reaching areas in danger.

At least 10 people were injured, including British screenwriter and director Duncan Gibbins, who received severe burns over most of his body when his home above Malibu was engulfed in flames as he was trying to rescue his cat.

Water-dropping helicopters were ordered to fight the Malibu blaze for the first time at night.

Officials said yesterday morning that the situation remained extremely volatile.

Packwood appeal rebuffed

Senate votes to obtain diaries, writes Jurek Martin

SENATOR Robert Packwood's attempts to limit Senate investigation into his private affairs was firmly rebuffed by his colleagues on Tuesday night after two days of painful, and sometimes emotional, floor debate.

The full Senate voted 94-6 to back the request of its own ethics committee for an unlimited subpoena to obtain Mr Packwood's private diaries.

Earlier it rejected by 77-23 an amendment by Senator Alan Simpson, the Republican from Wyoming, that would have made only "relevant" materials available to the committee, leaving the balance in the custody of an independent judge.

Mr Packwood's lawyer intimated yesterday that legal challenges to the Senate action might still be taken. Never before has the chamber taken such sweeping action against one its own members.

Mr Packwood was already under investigation for charges of sexually harassing more than 25 women over a 20-year period.

The committee has also said it may have evidence of additional offences by the Republican senator from Oregon.

In the debate one leading senator went so far as to advise Mr Packwood to resign. Mr Robert Byrd, the Democrat from West Virginia and a staunch defender of the integrity of the Senate, put into words what many of his colleagues are known to be thinking.

"None of us is pure or without flaw," Senator Byrd declared, "but when those flaws damage the institution of the Senate it is time to have the grace to go."

The Simpson compromise amendment, which Mr Packwood said earlier he could accept, was supported by Senator Robert Dole, though the Republican leader also voted in favour of upholding the ethics committee's request.

On that vote, one Democrat joined five Republicans, including Senator Packwood, in opposing the blanket subpoena. He was Senator Dennis Deconcini from Arizona, himself censured by the ethics committee for his involvement with Charles Keating, the savings and loan executive.

All seven women in the Senate voted for the subpoena, though Mrs Nancy Kassebaum, the Kansas Republican, disagreed with Senator Patty Murray, the Washington Democrat, that sexual misconduct was the most important issue at stake.

SALEROOM

A $7m curtain call for Degas' dancers

By Antony Thorncroft

A 14 x 19 inch pastel by Degas of two young dancers taking a curtain call sold for $7m (£4.76m) at Christie's in New York on Tuesday night. The price, almost double the pre-sale estimate, helped to confirm the slow improvement in the international art market.

Christie's auction of 60 lots brought in $51.37m, (£34.7m) and only 15 of the lots on offer failed to find a buyer. But among the casualties was the second most important painting in the sale, "Maternité" by Renoir, depicting his wife breast-feeding their son. It was bought in at $4.8m.

An encouraging feature of the auction was the breadth of buyer interest for works fresh to the market. The Monet went to a private European collector while the second highest price, $3.96m, was paid by an American collector for a Pissarro view of Dieppe.

Most major lots sold on or near estimates. Mondrian's minimalist "Composition avec bleu, rouge and jaune" made $3.5m; a rare landscape by Kandinsky, showing him moving towards abstraction, sold for $2.75m; and a typical work by the Fauve artist Derain of boats at the port of Collioure realised $2.6m.

The auction, the most important this winter by Christie's, suggests serious collectors are being tempted by fresh works, carrying resonable reserves. The speculative frenzy of the late 1980s is quite absent.

Fujimori scrapes home in Peru poll

By Sally Bowen in Lima

POPULAR approval on Sunday for Peru's new constitution in an apparently clean poll puts the country back on the democratic track President Alberto Fujimori abandoned on April 5 last year.

It gives him the backing he needs to continue with his sweeping programme of economic reform, and will permit him to stand for a second presidential term in 1995. However the government squeezed home by an uncomfortably narrow margin. Counting has yet to be completed, but it is clear earlier predictions of a 70-30 per cent government win were wishful thinking and the margin of victory is likely to end up at around 5 points.

The 200-article constitution proved a challenging topic: Mr Fujimori claims Peruvians have given an example to Latin America of popular democracy but the vast majority of voters had little idea of the issues.

A yes vote, at least in a view encouraged by Mr Fujimori, demonstrated approval of the government's three-year track record, while a no hinted at an "unhealthy absence of patriotism." Yet Mr Fujimori proved incapable of transferring his own popular approval rating - currently around 70 per cent, at least in the metropolitan area - to the constitutional cause.

The result underlines the historical divide between Lima and the provinces. Voters in the capital, where a third of the population is now concentrated, were almost 2-1 in favour of the new constitution. But more than half of Peru's 25 departments rejected it.

Opposition groups, which include the still unpopular traditional political parties and the debilitated trade unions, immediately claimed the constitution lacked legitimacy. They point to 30 per cent abstentions, similar to the level in last November's constituent congress elections which the major parties boycotted in protest at Mr Fujimori's seizure of increased powers.

The business community, however, breathed a sigh of relief. Peru's 12th constitution enshrines the free market policies Mr Fujimori has followed since his election in 1990. It sharply reduces the role of the state, encourages competition and introduces modern work practices.

But even if Sunday's vote demonstrates broad support for Mr Fujimori the government would do well to take the substantial protest vote seriously. Many Peruvians want decentralisation and an efficient public administration to promote development and jobs rather than a strong head of state who brings them occasional gifts.

Brussels to vote on proposals to speed unfair trade investigations

Brittan wants larger anti-dumping unit

By Andrew Hill in Brussels

THE European Community's trade commissioner, Sir Leon Brittan, is pressing for the Commission's anti-dumping unit to be doubled in size to help improve the speed and efficiency of investigations into unfair trade.

Proposals for increasing staff, shortening inquiry deadlines and restructuring the anti-dumping department will be voted on today by his fellow commissioners. However, trade lawyers in Brussels fear they will not improve the transparency of anti-dumping investigations and will make it more difficult for companies accused of dumping to respond to Commission findings.

"Even if they publish decisions which are twice as long as they are today, the real reasons for the decisions will always remain to some extent secret," said one lawyer.

Commission officials hope plans for improving efficiency will please all member states, even though there is deadlock over the more sensitive question of whether to give Brussels more power to push through anti-dumping duties.

They also believe the improvements will reassure those southern member states reluctant to abolish national import quotas unless the EC sharpens its trade weapons.

Dumping occurs when products are exported to the EC at unfairly low prices compared with the price in the home market. The Commission can only act if these cheap imports are causing "material injury" to the EC industry.

Sir Leon could face opposition from fellow commissioners today because staff numbers are under extreme pressure. A plea for more personnel was issued yesterday in the Commission report on anti-dumping activities for 1992, the first to appear under Sir Leon's stewardship. The report – much more detailed than usual – argues that the Community anti-dumping services are "critically understaffed" compared with those in the US, Canada or Australia. The number of professionals handling cases at the Commission dropped from 94 to 89 last year, making a total of some 130 including support staff. Officials estimate that the US operates its anti-dumping policy with some 500 professionals.

Sir Leon is proposing that all anti-dumping investigations be concluded within 15 months, and that provisional duties should be imposed, if necessary, within nine months of the start of an inquiry. At present complex investigations can take well over 18 months.

He is also planning to strengthen the involvement of consumer organisations in inquiries, and split the anti-dumping department into units investigating dumping and injury, as in the US.

According to the 1992 report there were 158 anti-dumping duties in force at the end of last year, of which nearly 30 per cent were against state trading countries such as China. However, measures against Japan still represented 70 per cent of the total trade value of all measures in force. Since 1988 the chemicals and electronics sectors have been the most heavily implicated in anti-dumping actions.

Andes pipeline plan reaches base camp

David Pilling on a step forward for a 700-mile gas link between Argentina and Chile

ARGENTINA has more gas than it knows what to do with. Chile is crying out for cheap, clean fuel. What could be better than building a pipeline between the neighbouring countries?

That in a nutshell, is the logic behind a $1.65bn (£1.11bn) project to transport natural gas across the Andes through a 700-mile pipeline linking the Neuquén fields in Argentina with industries and homes in Chile's principal cities.

For years it has been just talk. But now, given Chile's rapidly growing economy, signs of greater stability in Argentina and a new-found determination to improve bilateral relations, that talk could become reality.

A significant step forward was taken last week with the

naming of Houston-based Tenneco Gas and British Gas as the technical operators of the transmission and distribution elements respectively. The two companies had beaten off opposition from other multinationals, including Enron, Enserch and Utilicorp of the US, BHP Petroleum of Australia, and Canada's Novacorp International and Transcanada Pipelines.

British Gas and Tenneco, which earlier this year formed a strategic alliance for Latin American projects, are prepared to take out a significant equity stake, pending results of a year-long feasibility study. Construction is due to begin in late 1994, with a target completion date of 1997.

The pipeline is expected to cost $600m, and it is estimated that the distribution network, perhaps up to 5,000 miles long, will cost $450m.

A vital piece of the jigsaw still needs to be put in place. This is the construction of three thermo-electric generators, separate but intrinsic to the project. The generators, which would cost a total $600m and have a combined capacity of 700MW, would consume 45 per cent of the gas.

Mr Rudolf Araneda, general manager of Gas de Chile, the project developer, hopes the generators can be built in tandem with the pipeline and distribution network. He believes the foreign companies that showed interest in those project elements may wish to play a role in the construction of generators.

Serious obstacles remain. Toughest will be securing financing for a project which, consortium officials say, will involve six years of negative cash flows and a 20-year payback period. At least $700m will have to be invested before a therm of gas is sold.

Banks may baulk at sinking money into a long-term project with such obvious political risk. Although Chile won an investment grade rating last year, Argentina has only recently witnessed the return of economic stability.

Relations between the countries, although recently much improved, have often been tetchy and a resumption of tension could imperil the smooth supply of gas.

Mr Chris Duhon, international vice-president at Tenneco, insists that such eventualities have been thoroughly evaluated. "We are very comfortable with the political elements," he says.

Mr Araneda says: "We will be looking for the whole mixture of financing sources – multilateral institutions, export credit agencies, and commercial loans. It is likely to be 40 per cent equity and 60 per cent loans."

The project depends on finding markets, a task to be undertaken by British Gas. In particular it will be necessary to persuade Chilean industry to convert from other types of fuel. Furthermore, plans to extend the network through to 2015 assumes the continued growth of Chile's economy.

There is also the question of forming a legal framework for the supply and sale of gas. Chile's regulations were framed in 1931. Given the pace with which much legislation crawls through congress and the potential for political manipulation, agreement on a suitable regulatory framework could be a lengthy process.

Executives admit there are many imponderables. However, Mr Richard Souchard, a project development manager at British Gas, says: "We wouldn't be interested if we didn't think the scheme had a fairly good chance of coming to fruition."

The trump card being played by Gas de Chile is environmental. The consortium claims that converting thousands of industries and up to 600,000 homes to gas will help significantly in cleaning up the air in Santiago, fast becoming Latin America's most polluted city.

Mr Araneda admits there are many hurdles to overcome. "Chile is far away and it is a relatively small economy. But all the macro-economic elements are in place and we have a stability lacking in other potential markets such as Vietnam, India, Brazil and China," he says.

"Here it is possible to predict steady, long-term growth. That makes this part of the world very interesting."

Japanese support for lifting of rice ban

By William Dawkins in Tokyo

NEARLY two-thirds of the Japanese public thinks Japan either will or must end its ban on imported rice, according to a newspaper survey.

Among the justifications given for an open market were more choice for consumers, cheaper rice and an improved international image.

This throws doubt on government claims that it would be politically difficult to replace the import ban with tariffs, a condition for concluding the Uruguay Round of world trade talks.

Government officials say they will feel under no pressure to decide until the EC and the US settle their differences over farm subsidies, another big barrier to a Gatt deal. Mr Morihiro Hosokawa, the prime minister, is thought likely to leave a final decision until close to the December 15 deadline for concluding the talks.

Japan's ability to sustain self-sufficiency in rice has thrown into question in the past few weeks by the worst harvest since the war, which has obliged it to import rice for the first time in nine years.

France plans crackdown on counterfeiting

By David Buchan and Alice Rawsthorn in Paris

FRANCE'S government yesterday took steps to crack down on the booming trade in counterfeit goods, many of them fakes of French fashion designs or luxury products.

It has proposed a new law, virtually assured of parliamentary approval, which would increase sharply the penalties for manufacture, sale or import of counterfeits and give customs and police officers scope to take quicker action.

The maximum fine for counterfeiting would be increased from FFr20,000 (£2,300) to FFr500,000 (£57,000), with a possible two years in jail. Companies convicted of producing fakes could have their factories closed indefinitely and be fined FFr2.5m. Customs officers and the police would also be given stronger powers to seize suspect goods.

According to the French government, counterfeit products account for some 5 per cent of world trade. Turkey, North Africa and, increasingly, Southeast Asia are the main sources, but some originate in other European Community countries, such as Italy.

An EC regulation to crack down on the counterfeit trade within the Community has been drafted by Mrs Christiane Scrivener, France's commissioner responsible for customs matters. It is due to come into force early next year

The French luxury goods industry claims that 70 per cent of such faked products are based on their designs, for instance: Hermès scarves and Chanel T-shirts. Mr Christian Blanckaert, chairman designate of Comité Colbert, the industry body, told a Paris conference yesterday that counterfeiting was one of the industry's main problems.

He also signalled that the French luxury industry was coming out of recession. He estimated that the combined sales of Comité Colbert member companies would total FFr30.5bn (£3.48bn) this year, against FFr30bn in 1992. The industry has benefited from strong growth in Asia – now accounting for 26 per cent of sales against 18 per cent in 1986 – and the fledgling recovery in the US.

NEWS IN BRIEF

Renault in link with Czech group

FRENCH motor manufacturer Renault is entering a joint venture with Karosa, the Czech maker of buses and fire engines, Patrick Blum reports from Vienna. Renault will invest about FFr200m ($35m) in the venture – based at Karosa's main factory at Vysoke Myto, eastern Bohemia – over the next five years. Its 34 per cent stake will rise to 51 per cent later.

Lucas technology for China

Lucas Industries, the UK automotive to aerospace group, has signed its first technology transfer deal for the production of motor components in China. Its first stage envisages the production of 200,000 vehicle brake systems a year, John Griffiths writes from London.

The agreement covers the provision of product and manufacturing technology to a new joint venture company, Hwa Heng, set up between Lucas's licensee in Taiwan and the Wuhu Auto Parts factory in Anhui province. Lucas has no stake in the venture.

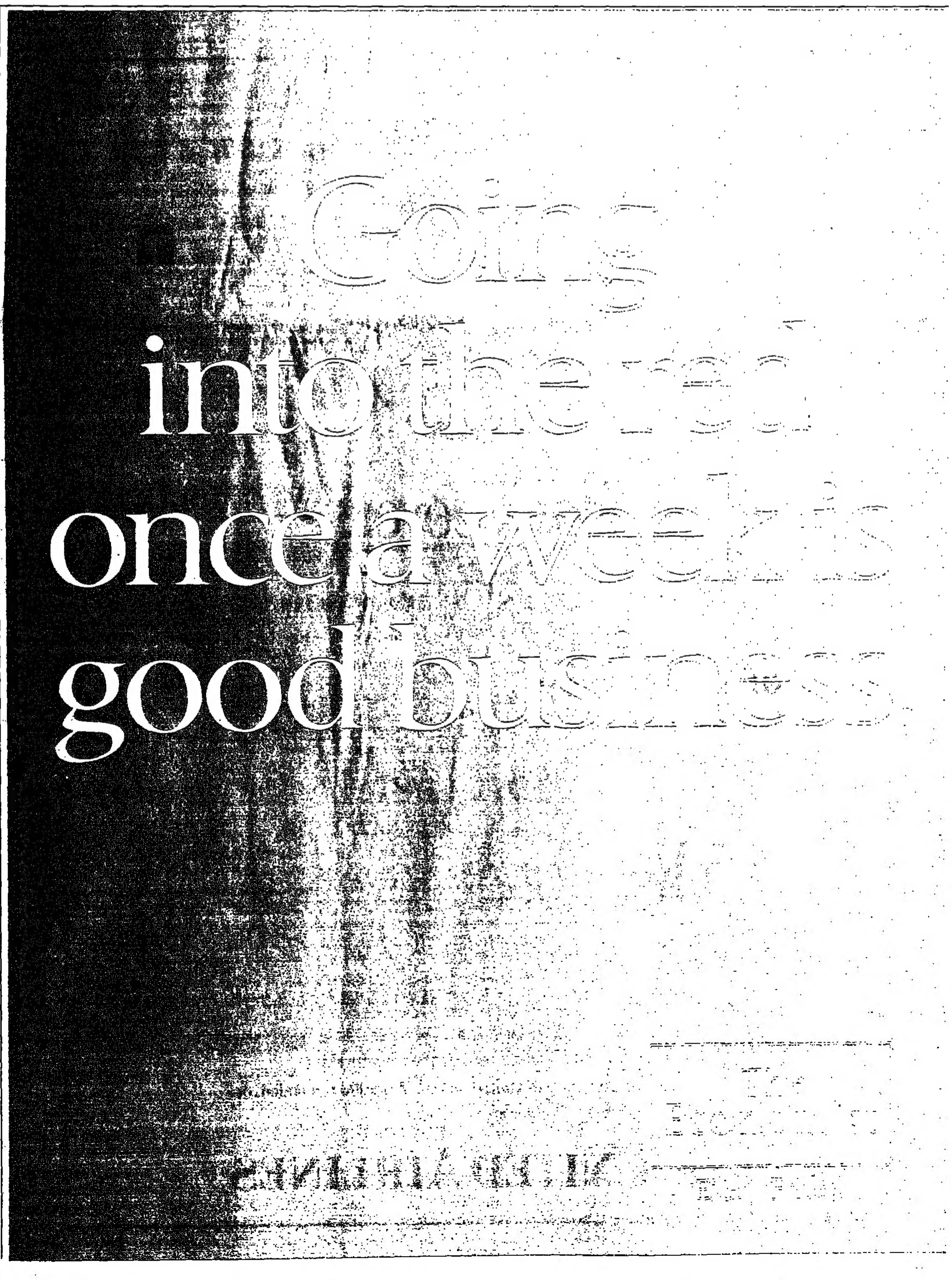
Singapore's enduring appeal

US companies operating in Singapore are worried about rising costs and chronic labour shortages but still intend to make substantial investments there, according to a US survey, Kieran Cooke writes from Kuala Lumpur.

About 900 US companies have cumulative investments in Singapore of nearly $19bn, said the US embassy survey.

US tobacco ruling attacked

US legislation requiring the country's cigarette manufacturers to use at least 75 per cent US-grown tobacco attacked yesterday by Mr Martin Broughton, chief executive of BAT Industries, the UK tobacco and financial services group, Philip Rawstorne writes in London. It was " a flagrant breach of Gatt rules" he said. Because of the move, BAT had closed its tobacco leaf operations in Panama, which exported to the US, at a cost of £7m in lost profits.



Motorcyclists at Westminster yesterday celebrated the European Parliament's decision to overturn EC proposals to limit motorcycle engine sizes. The Council of Ministers is expected to reconsider the proposal, from which Britain was originally exempt

Lords defeat deals blow to rail privatisation

By Kevin Brown, Political Correspondent

THE UK government's plans to privatise the state rail network appeared in disarray last night after an unexpected series of defeats in the House of Lords, the upper chamber of the British parliament.

On the crucial issue of franchises to run British Rail routes, the Lords voted three times to loosen restrictions placed by the government on BR's ability to bid for routes against private sector companies.

The effect is to resuscitate the spirit of a similar earlier Lords amendment, overturned by the House of Commons on Tuesday, which ministers had dismissed as an attempt to wreck the bill.

The defeats left government business managers facing the choice of capitulating to the Lords, or bringing the bill back to the Commons for a further bruising debate.

After a couple of hours' discussion, Mr Tony Newton, the government's chief business manager, told MPs that the scheduled business in the Commons would be interrupted to make way for an immediate attempt to rewrite the bill.

The announcement provoked anger from the opposition Labour party, including a protest by Mrs Margaret Beckett, deputy Labour leader, that she had been given only 30 seconds' notice.

The exchanges underlined the air of panic which now surrounds the bill, which has had a torrid passage through both houses and is widely opposed by rail passengers.

The government, however, was virtually assured of a Commons majority for its attempt to reverse the Lords defeats.

The House of Lords is likely to back down rather than defy the government again, in spite of the strength of feeling during yesterday's debate.

Lord Peyton, a former Conservative transport secretary, said last night that a further government defeat in the Lords would raise the prospect of "a serious constitutional clash" with the Commons.

Under the parliament acts, peers can defy the government as many times as they wish, even if amendments are repeatedly reversed in the Commons.

In theory, the bill could pass backwards and forwards until both houses agree on the precise wording, although the Lords have rarely used their full powers out of deference to the elected house.

The government must act quickly, however, because the bill will fall unless agreement is reached before the Queen's Speech opens the next session of parliament on November 18.

Labour targets £10bn tax abuse 'loopholes'

By Roland Rudd

TAX ABUSES and loopholes have grown over the last 14 years and are costing the government billions of pounds in lost revenues, Mr Gordon Brown, the opposition Labour party's chief finance spokesman, said yesterday.

He proposed a series of measures to save up to £10bn over two years, including:

- A reform of of inheritance tax; closing down tax relief on executive share options; abolishing the business expansion scheme and ending tax relief on private medical insurance.
- A shake up of corporation tax, including an end to allowances for sales of companies with excess management expenses.
- Ending Britain's position as a tax haven. Mr Brown stopped short of recommending the end of sovereign immunity but said Labour would deal with "abuses" allowing companies to trade under the umbrella of national governments.

Mr Brown said: "We must end the abuse of non-domicile status, unacceptable definitions of residence and the continuing misuse of offshore funds."

In addition Labour is proposing a windfall levy on the profits of the privatised utilities; early and prompt collection of valued added tax and a clampdown on VAT loopholes.

Ms Harriet Harman, another member of the party's finance policy team, called on the chancellor to use his Budget to abolish tax relief for executive share options which she called a "tax perk for the richest".

The government, however, rejected Mr Brown's charges. Financial Secretary to the Treasury Mr Stephen Dorrell said the figures were "pure Alice in Wonderland".

Government faces revolt over VAT on fuel plan

By Roland Rudd

MR KENNETH Clarke, the chancellor of the exchequer, was yesterday warned that he could face a rebellion by dissident Tory MPs if he limits the compensation available to low income groups paying Value Added Tax (VAT) on domestic fuel.

In a meeting last night with three senior officers of the powerful 1922 Committee of Conservative backbenchers Mr Clarke was told of "deep concern" among Tory MPs. Some of them yesterday said the Treasury's plans to limit the compensation to less than £500m would be "politically disastrous" and warned of a revolt.

Dame Jill Knight, vice chairman of the 1922 Committee of Tory backbenchers, said: "The elderly and those who need heat but cannot afford it must be compensated."

Many Tories want the government to announce a package which will help pensioners who are not on income support – the so-called "nearly poor".

These are are typically those with modest incomes and savings – many of whom are Tory voters.

Mr Nicholas Winterton, MP for Macclesfield, said the government "has a got a death wish" to be thinking of restricting the fuel compensation package".

Mr Andrew Bowden, Tory co-chairman of the all-party parliamentary group for pensioners, said: "The key group are the nearly poor, the 2.5m pensioners who have only a small income over the income support level.

"They must be helped. If the government does not come forward with positive proposals, there will be serious trouble on the government backbenches."

Pension reforms could be years off

By Norma Cohen and James Blitz

MR PETER Lilley, the social security secretary, hinted yesterday that it could be some years before the government reformed pension legislation.

Speaking in the House of Commons, Mr Lilley said he will shortly be issuing some discussion papers on pension reform as the basis for consultation following publication of a 1,000-page report on the industry by the Goode Committee, the government's advisory committee on pensions.

He resisted pressure from MPs, however, to bring forward legislation in the next parliamentary session, saying it would be impossible to do so before the 1994/95 session at the earliest.

"We have to make sure that what we do makes the system better and safer and does not make the mistakes that ill-thought legislation might do," Mr Lilley said.

Mr Donald Dewar, the opposition spokesman on social security, welcomed the broad contents of the Goode report, but warned that Labour would want to radicalise its recommendations.

He said the recommendation that one-third of trustees should be appointed by pension fund members was insufficient. He called for legislation to introduce requirements to increase pensions in line with inflation, a proposal which the Goode committee debated at length but ultimately rejected.

Mr Lilley also signalled that he is prepared to consider alterations to the government's rules for schemes which contract out of the State Earnings Related Pension Scheme and provide the alternative Guaranteed Minimum Pension.

Dealer banned over loss of £1.7m

By Norma Cohen, Investments Correspondent

A DEALER at Kleinwort Benson who incurred heavy personal losses at a financial bookmaker and subsequently lost £1.7m of his firm's money has been banned from the securities business by the City's investment watchdog.

This is the first time the self-regulatory Securities and Futures Authority has taken such action.

The arbitrage dealer, Mr Kevin Reed Morgan, had repeatedly taken on far more risk than he was allowed when employed by two separate investment banks between July 1991 and March 1993, the SFA said. Arbitrage dealers try to exploit the differences between different markets and financial instruments.

Mr Morgan began increasing his risk after incurring heavy losses in 1990 on his personal account at a firm of financial bookmakers. Financial bookmakers allow individuals to bet, on astock market index, such as the FT-SE 100, or on a bond contract in the same way bets are laid on sporting events.

The SFA said Mr Morgan had not been permanently barred from the industry but "in the medium term there's no hope of him obtaining authorisation".

"The SFA takes a particularly serious view of Mr Morgan's conduct in view of the risk to which he exposed his firm and has reminded SFA members that they should be aware of any personal account dealing that their employees undertake with other brokers," the SFA said.

Last night Kleinwort Benson said it had reviewed its procedures following the incident.

Warrant granted to arrest Farias

By Stephen Fidler, Latin America Editor

A BRITISH judge has granted a warrant for the arrest of Mr Paulo Cesar Farias, the man allegedly at the centre of a corrupt multi-million dollar fund raising scheme for the disgraced Brazilian president Fernando Collor.

Brazilian Embassy officials in London said yesterday that a warrant was issued after the British government agreed to start extradition proceedings of Mr Farias to Brazil, although the UK has no formal extradition treaty.

Embassy officials said the Brazilian government was now ready, following the move against Mr Farias, to negotiate a broader extradition treaty with Britain. It is believed to be the first time the UK's special extradition arrangements have been used with any country, and is certainly the first occasion involving Brazil.

The proceedings will go ahead under the 1989 Extradition Act, which allows for special arrangements for countries with no extradition treaty. The warrant was requested by the Crown Prosecution Service in London and issued on Monday, but Scotland Yard said yesterday no arrest had been made.

The embassy said that the case was not linked with that of Ronald Biggs, 64, who escaped from Wandsworth prison in 1965 after being convicted of the August 1963 "great train robbery". He now lives with his son in Rio de Janeiro.

Mr Farias, known in Brazil as PC, was the treasurer of Collor's presidential campaign, and was later said to be the central figure in an alleged network of corruption involving the president, who was forced to quit last year. Mr Farias fled Brazil on July 19.

Brazilian newspapers have reported that Mr Farias was granted an 18-month UK visa after he proved financial solvency.

In London, meanwhile, calls for his extradition were voiced yesterday by 60 Brazilian demonstrators outside the headquarters Home Office.

London and Dublin in fresh appeal on Ulster

By David Owen

THE British and Irish governments yesterday launched a fresh appeal to Northern Ireland's constitutional political parties to resume talks on the province's future, but made clear that round-table talks were still some way off.

But as they made their call, Rev Ian Paisley, leader of the hardline Democratic Unionist party, unexpectedly delivered a letter protesting against holding yesterday's Anglo-Irish intergovernmental conference session in Belfast.

Sir Patrick and Mr Spring expressed optimism that the two governments would press ahead quickly towards a new constitutional settlement.

They made clear that dialogue would initially take the form of bilateral discussions with British ministers. Sir Patrick warned that an immediate push for resumption of round table discussions with all parties could be counter-productive.

One possible target would be to have an agreement in place before Mr Major and Mr Reynolds meet at the UK-Ireland summit in Dublin within six weeks.

Sir Patrick said the six-point plan put forward by Mr Spring last week would be "central to the ideas that the two governments must bring to a conclusion between themselves." The plan showed "very encouraging evidence of the thinking of the Irish government".

Sir Patrick also spoke of the "unbreakable meshing" between the UK-Irish talks and what the political parties in the province were "prepared to compromise over" regarding the internal government of Northern Ireland.

There was "no question at the moment" of having reached the stage where Dublin's constitutional claim to jurisdiction over Northern Ireland was replaced or where the Anglo-Irish agreement was "going to be repealed".

● London and Dublin flatly rejected the Hume-Adams peace initiative because it attached conditions to a cessation of violence by the IRA, according to high-ranking British officials.

On the eve of a Downing Street meeting between Mr John Hume, the SDLP leader, with Mr John Major, the officials said the "process" agreed by Mr Hume with Mr Gerry Adams, the Sinn Féin leader, linked an end of IRA terrorism with a place at the negotiating table for Sinn Féin.

That link – implying that violence was being rewarded – could not be accepted.

Ulster Secretary Sir Patrick Mayhew and Irish foreign minister Dick Spring in Belfast yesterday

Defence official 'took backhanders'

A FORMER top Ministry of Defence official was found guilty yesterday of taking £1.5m in "backhanders" from overseas arms companies in what is thought to be Britain's biggest corruption case.

Mr Gordon Foxley, 69, who retired as director of the MoD's ammunitions procurement department in 1984, was allowed £100,000 bail until sentencing on December 10.

The law provides for a possible maximum of seven years jail on each of the 12 charges of corruption he was convicted of committing between December 1979 and August 1984.

But because they occurred before amending legislation in 1988, he can only be sentenced on the basis of an earlier two-year maximum.

The court heard that Mr Foxley's £20,000-a-year job involved awarding multi-million pound contracts for supplies of mortar bomb fuses, rockets, tracer rounds and ammunition for the armed services, principally the Army.

He fed most of these to three companies, Fiat subsidiary Fratelli Borletti, of Milan, Italy; Gebruder Junghans, based in Schramberg, Germany; and A S Raufoss, which has offices in Gjovik, Norway.

In return they paid him huge secret "backhanders" or commissions of up to 5 per cent of the value of the deals.

Had they been UK companies, they would have been in the dock with Foxley.

Some of the money was paid to him months after he retired, as deals he had agreed while still at his post bore fruit.

Britain's ordnance production facilities lacked the necessary capacity at the time, forcing the MoD to rely on foreign companies, the court heard.

The jury was told how the large amounts, £400,000 in one case, did not go to Foxley directly, but were first sent to companies he either owned or ran.

One was in Basle, Switzerland, another in Geneva and the third he ran from home.

MoD slow to reduce civilian staff

By David White, Defence Correspondent

THE NUMBER of UK-based civilians working for the Ministry of Defence has been reduced by only 6,000 compared with almost 35,000 uniformed posts lost in the armed forces since the government's Options for Change reforms in 1990.

This became clear when the Commons defence committee questioned senior MoD officials yesterday on the progress made on personnel cuts.

The committee plans to publish its evidence before the Budget on November 30, which will include further cuts in defence expenditure. Sir Nicholas Bonsor, the committee's Conservative chairman, said that reducing the number of middle-ranking civil servants could provide "substantial savings". He did not see how the MoD could come near to reaching its target of a 20 per cent reduction in civilian numbers by 1995-96, similar to the cuts being made in the forces.

This was in spite of assurances from Mr David Heyhoe, an assistant under-secretary at the MoD, that the job reduction programme was "on course" and could go beyond the 20 per cent target.

Officials said the MoD's civilian numbers, excluding locally-hired overseas employees, had shrunk from 141,000 in 1990 to 128,000. But most of this reduction came from the transfer of almost 7,000 Atomic Weapons Establishment employees to the private sector in April this year. Sir Nicholas said this could not count as a cut.

Senior uniformed ranks were also being reduced more slowly than expected, he said.

Officials said the number of top army posts, from lieutenant-general upwards, had remained unchanged at 16, but would drop "in the near future". Across the services there were 40 officer posts for equivalent ranks compared with 43 in 1990.

Tory MPs warn on military budget

By David White and James Blitz

THE UK government faces continuing pressure from dissident Tory MPs over defence cuts, despite the Treasury's agreement to scale back the spending reductions planned for the next financial year.

The settlement between the Treasury and the Ministry of Defence is thought to involve cuts of more than £1bn over three years but with the biggest impact on spending plans for 1996/97.

The £23.75bn provision for defence expenditure next year is expected to be reduced by 1 per cent or less after Mr Malcolm Rifkind, the defence secretary, succeeded in fighting off more drastic Treasury demands.

Although the front-line strength of the armed forces appears to have been safeguarded, some MPs are strongly opposed to the cancellation of projects such as new ships to replace the two amphibious assault vessels for the Royal Marines.

They are also concerned that the Treasury should allow new defence contracts to come through, in particular for the challenger tank and the EH101 helicopter.

On Monday, several conservative MPs who are concerned about defence cuts met Mr Kenneth Clarke, the chancellor, to indicate their concerns about the impact that the unified budget might have on defence spending.

The chancellor did not reveal any details of the defence sector budget at the meeting, but some of the MPs were concerned that he did not give any firm guarantees for the long-term future of any military sector.

Britain in brief

Recovery falters in house market

The recovery in the housing market is faltering, according to figures for mortgage lending released yesterday by the Bank of England.

The news will increase pressure on Mr Kenneth Clarke, chancellor of the exchequer, not to restrict further the scope or availability of mortgage interest relief in the Budget, because of its likely impact on the housing market.

Figures for the third quarter of the year show that the number and value of new loans approved fell around 10 per cent compared with the previous three months.

Some £13.5bn in 257,000 new loans was approved in the third quarter, compared with £15bn in 281 000 new loans from April through to the end of June.

Motor revival under threat

The current revival of the UK motor industry is being threatened by small component suppliers failing to improve quality and productivity standards, a Society of Motor Manufacturers and Traders conference will be warned today.

Prof Dan Jones, professor of motor industry management at Cardiff Business School, will tell the conference that although the biggest UK component groups have adopted Japanese-style working practices, problems among smaller suppliers are weakening the production process.

Inflation call to business

Mr Eddie George, the governor of the Bank of England, last night called on businesses to play their part in curbing inflation by generating higher profits through increased output and capacity use, rather than through higher prices.

In a speech to finance directors in London, he said more than half the recent rise in manufacturing output prices has come from higher margins, measured as the difference between input and output prices. He said Britain has a realistic prospect, "if we are wise", of achieving non-inflationary growth "that can be sustained through the rest of the decade". But he warned that businesses had to play a part in this.

Rising domestic demand likely

Recent economic indicators point to rising domestic demand with low inflationary pressures, the Treasury reported yesterday. But a drop in the Central Statistical Office's longer leading index of economic activity, also announced yesterday, could signal a downturn in output about a year from now.

With Mr Kenneth Clarke's first Budget less than four weeks away, the Treasury chose yesterday to portray UK economic trends in a moderately upbeat manner. In particular it said that overall pressure on prices remained subdued while world inflationary pressures remained weak.

Legal fee plan attacked

Government plans to allow lawyers to take cases on a US-style "no win, no fee" basis came under attack yesterday from the influential committee appointed to advise the Lord Chancellor on the regulation of the legal profession.

Conditional fees, under which solicitors charge nothing if they lose but can charge up to double their normal fee if they win, are seen by the Lord Chancellor as a partial solution to the problem of reduced access to justice resulting from cuts in the legal aid budget.

Building society cuts 700 jobs

The Alliance & Leicester, the UK's fourth largest building society, is to close its administrative office in Hove, southern England, with the loss of 700 local jobs over four years.

Feeding puzzle fever

Locate, million, curator, wasteland: what have these words in common?*

This and several dozen other brainteasers are this week arriving at 150,000 homes in Tyne and Wear and south Northumberland in the form of Witzend, believed to be Britain's first free-distribution, monthly puzzle magazine. Printed in colour, on A4 gloss paper, Witzend's appeal to the public's thirst for puzzles is intended to give it a much higher retention rate than the average free publication.

To enhance its appeal, its range of puzzles supplied by Mensa, the high IQ society, is supplemented by quizzes and games offering prizes linked directly to advertisers and their products.

"This is something new and fresh, we were keen to get on board straight away," says Paul Keenan, PR manager at Gateshead's MetroCentre shopping and leisure complex, a prominent advertiser in the first issue. The magazine's family appeal and high retention prospects were key attractions.

Witzend was devised by Metromedia, a Newcastle-based design and marketing company.

Editor Franco Polsinelli plans a Teesside version in early 1994 and envisages nationwide distribution in a year. Puzzles supplied by Mensa would remain the same throughout editions, with advertising geared to local markets. Advertising rates of £2,600 for a full page are pitched slightly below north-east free newspaper rates; Polsinelli has had no difficulty selling advertising, with minimal discounts. The first issue has broken even. Profits from subsequent Witzends will depend on raising the advertising ratio from the first issue's 25 per cent.

Mensa's executive director Harold Gale is supplying the puzzles free; in exchange Mensa, which frequently co-operates in media puzzle promotions, receives free publicity and the assurance that the public's puzzle addiction is being fed.

Answer next Thursday.

Chris Tighe

Alice Rawsthorn examines the dilemma facing Yves Saint-Laurent

Thrown off the scent

In 1986 Givenchy, the French fashion house, was hurriedly forced to paste Xeryus labels over the first batch of its new men's fragrance after rival Yves Saint-Laurent claimed the original name, Keryus, could be confused with its own Kouros cologne.

The tables have now turned. YSL was last week ordered by a French court to change the name of Champagne, its new women's perfume, after three champagne companies, including a subsidiary of LVMH, the French luxury goods group that owns Givenchy, claimed YSL had no right to use it. YSL is appealing. If it loses, it will at the very least have to drop the name Champagne in France – writing off the estimated FFr15m (£1.7m) it has already spent on advertising there.

Yet the French court ruling also presents YSL with an unenviable marketing dilemma. The $13bn (£9.2bn) perfume industry operates on a global basis. The launch of a significant new fragrance, such as Champagne, is carefully co-ordinated so that the product is presented to consumers in the same way in every country.

YSL in September introduced Champagne throughout Europe, Africa and the Middle East. It plans to launch it next year in North America and Asia. An enforced name change in France would torpedo its hopes of establishing Champagne as a global product. YSL would then have to decide whether it would be in its best interests to adopt the new name everywhere, even though that would mean losing the FFr100m it has invested so far in the European launch.

"Global branding is the name of the game in the fragrance market," says Jack Saltzman, an industry analyst at Goldman Sachs in New York. "It wouldn't be impossible to launch a perfume using a different name for different markets. But it wouldn't be easy."

The problem facing YSL and Elf-Sanofi, the French pharmaceuticals company that acquired it earlier this year, is aggravated by the sheer expense of developing a new perfume. It costs roughly $50m to publicise the worldwide launch of a new fragrance. The risk of failure is frighteningly high. The Fragrance Foundation in New York estimates that 75 new scents have been introduced in the US this year and industry statistics suggest that only 15 will recover their launch costs within three years.

The best selling women's scents

1 Chanel No5 Chanel
2 Trésor L'Oréal
3 Vanderbilt L'Oréal
4 Opium YSL/Elf-Sanofi
5 Anais Anais L'Oréal
6 L'Air du Temps Elf-Sanofi
7 Beautiful Estée Lauder
8 Giorgio Giorgio
9 Paris YSL/Elf-Sanofi
10 Poison LVMH

Source: Industry estimates

Yet a classic perfume can be vastly profitable. The best-sellers, Chanel No5 and L'Oréal's Trésor, make annual sales of $120m. After the expensive launch period, the cost of manufacturing and marketing falls to 35 per cent of sales, leaving the perfumer with the potential of big profits.

YSL already owns two of the top 10 women's scents, Opium and Paris. But Opium came out in 1977 and Paris in 1983. YSL has not had an important new launch since 1988 when it introduced Jazz, its men's fragrance. The success of Champagne is critical to its chances of maintaining its place among the leading players. It also represents an opportunity for Elf-Sanofi to recoup part of the cost of the controversial FFr3.6bn acquisition of YSL, which has already sparked a stock market investigation into insider dealing.

YSL went to great lengths to ensure that Champagne's launch was as smooth as possible. It started preparing for the launch in 1991. The choice of name was always regarded as an important part of the process given that naming, like every other aspect of fragrance marketing, has become increasingly complex in recent years. YSL in the late 1970s bought the rights to the Opium name for $200 from another perfumer. Chanel 10 years later paid more than $500,000 to an astute Paris magazine editor who had registered the worldwide rights to Egoïste.

Yves Saint-Laurent personally selected the name Champagne in 1991. His choice did not appear to be problematic. Champagne had in 1943 been registered as a fragrance trademark by Parfums Caron, a perfume group. YSL spent an estimated FFr3m to buy the trademark and to register it worldwide.

These preparations were wrecked when the champagne industry this summer initiated legal proceedings against YSL, claiming the existence of a perfume called Champagne could confuse consumers and imperil the prestige of its product. When YSL sued Givenchy over Keryus in 1986, the case was resolved before the product went on sale, allowing Givenchy to introduce it everywhere under the new name.

But the timing of the Champagne case could scarcely have been worse for YSL. The earliest possible date for its appeal against last week's ruling is January. In the meantime it must comply with the court's instruction that it drops the name Champagne in France within 30 days. This means that even if YSL wins on appeal it will have had to use a new name or withdraw Champagne from the French market during the pre-Christmas season. This usually accounts for half the year's perfume sales.

In the meantime YSL faces the threat of two other lawsuits from champagne producers: one in Germany which should start in March, and another in the UK that may not come to court until next summer. It must also decide whether to risk implementing its plan to launch Champagne next year in North America and Asia.

If YSL wins the French appeal and all the other cases, the damage to Champagne will be limited to an unhappy first Christmas in France. But if YSL loses the case in a single country, Champagne can never be a global product.

YSL would then have to decide whether it was worth selling a fragrance under different names in different countries. Guerlain did so in the 1950s when Shalimar became a bestseller despite using the name No90 in the UK, because another 'Shalimar' was already on sale.

But the perfume market has changed dramatically since the 1950s. YSL operates in a world of globe-trotting customers. The rationale for global marketing in fragrances is that when a Manhattan businesswoman visits Paris, she can spot the new scent she saw advertised in American Vogue as soon as she walks into the duty-free shop at Charles de Gaulle airport.

YSL and Elf-Sanofi have not yet decided what to do. "We're going ahead with the appeal and we hope we'll win," said Elf-Sanofi. "But if we lose we're going to have to address some very difficult decisions."

A whopping venture

Burger King has moved into Japan, writes **Emiko Terazono**

Five years ago Yoshiaki Tsutsumi, the head of a Japanese railway and leisure group who regularly tops lists of the world's richest people, ate his first Burger King Whopper in the US. The experience was so overwhelming that he immediately set himself the goal of bringing the fast-food restaurant chain to Japan.

Tsutsumi's dream became a reality in September when Burger King, a subsidiary of Grand Metropolitan of the UK, opened its first restaurant just outside Tokyo. The deal was agreed in just five minutes last November when Tsutsumi met James Adamson, chief executive officer of Burger King, for the first time.

However, Burger King's move into the Y400bn (£2.5bn) Japanese hamburger market comes as competition has intensified and leading fast-food chains are feeling the effects of the prolonged economic downturn.

Japan's hamburger market is dominated by McDonald's and two Japanese chains, MosBurger and Lotteria. The fast-food outlets, with the exception of MosBurger which has succeeded with its Japanese-style burgers, are facing increasing competition from pizza deliveries, sandwich shops and convenience store chains.

Even McDonald's, which opened its first store 20 years ago, is facing lower profit margins. The company's sales for the business year to December last year grew a mere 2.4 per cent, the smallest rise since the company was established in in Japan. Operating profits fell 20 per cent.

Samuel Yong, managing director of Burger King Asia Pacific in Singapore, says the company could not enter Japan earlier due to the lack of the right partner. Yong hired consultants Coopers & Lybrand to come up with a strategy for Japan. They eventually concluded that the market had an opening for the American flame-broiled Whopper burger. But Japan's high real-estate costs meant Burger King needed a business partner with extensive real-estate holdings.

Tsutsumi, who runs the Seibu Railway network, as well as theme parks, ski resorts and a baseball dome, seemed an ideal partner. However, with the venture being Seibu's first move into the food-service industry and Burger King's first step into Japan, both sides felt it was better to sign a co-operation agreement without spelling out long-term plans.

Seibu supplies the real estate and operates the outlets; Burger King provides the know-how and cooking appliances. The partners agreed to halve the profits for the time being. "We want to let the relationship evolve as it goes," explains Yong.

"We want to make sure that our business is acceptable to the Japanese and the restaurant operating economics are right."

Yong says Burger King aims to keep its restaurants smaller than competitors – at about 1,000sq ft, a fifth of an average Burger King store in the US – and to offer a simple menu with only nine items.

The company hopes to avoid the problems encountered by McDonald's and Kentucky Fried Chicken, which have diversified and changed menus so rapidly that customers and even employees could not keep up.

Masao Okada, head of Seibu's Burger King project team, says an increasing number of Japanese are going overseas and tasting the Whopper. He expects to open as many as 300 outlets over the next few years in Seibu's railway stations and leisure facilities.

Analysts say much will depend on how far Burger King can expand in the residential areas of Kanagawa, south of Tokyo, and Chiba, to the east, where Seibu's railway network or entertainment facilities do not exist.

In spite of this scepticism, average daily sales for the first store totalled Y1m during the initial few weeks of opening. The figure, one of the highest sales per square foot among Burger King's worldwide network, was achieved with the help of Tsutsumi eating a Whopper in front of television news crews on the opening day.

To explain how Club World is changing we'd like to take you on a 10 hour flight.

Have you got 2 minutes?

Clutchingyourtightlypackedbriefcase,you makeyourwaythroughthetightlypacked airport.People.Noise.Morepeople.You're justpreparingyourselftodothepassport control shuffle when hold on, you're leaving everyone behind.

You're sailing through your own separate security channel.

As you drift through the doors of the new Club World Lounge, you hear something strange.

What is it?

Absolutely nothing.

You haven't heard that for a long time. Listen, there it is again.

Your flight announcement prises you out of the sofa and into... that old armchair of yours.

Wait a whoooooooops, your armchair never felt this good. And where did that foot rest come from? Oh well, just lie back and think of... dinner.

A choice of four leisurely courses over three and half hours or a lighter meal over a mere 60 minutes

So you could stop here

Or go on

And on and on

And to follow, may we recommend a small slice of escapism

You turn ▶ ON your personal seat-back video. Looking ▶▶ FWD to your choice of 8 channels of entertainment, you let your mind switch ■ OFF.

You've seen the film, now read a booklet: 'The Well Being in the Air Programme.'

Let's just try a few exercises.

Strrrretch your arms and breeeeeeeathe out

Rotate wrists clockwise (gosh, is that the time already?)

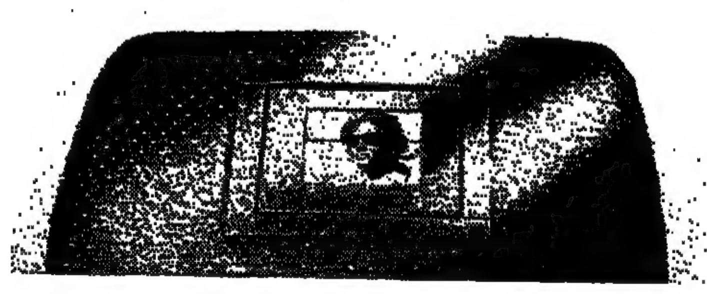
Breathe innnnnnn and out... innnnnnn and out... eyelids getting heavy.... who's that snoring?..... maybe I should just [illegible]

AWOKEN by a gentle alarm call and, exactly when you ordered it, breakfast.

Tropical fruit or *Birchermuesli*

Orange juice or *Energiser drink*

Eeni, Meeni, Miney or *Mo*



Right, let's have a ~~long~~ quick look at the presentation.

This seems to be a problem. — no it's not.

We just need to be more decisive on this.

or do we?

Before you know it, you've landed.

Please remain reading until the ad comes to a complete halt.

Congratulations. You've just flown around the new Club World in 80 lines.

CLUB WORLD

BRITISH AIRWAYS

The world's favourite airline

NEW SEAT AND VIDEO CURRENTLY AVAILABLE ON 60% OF AIRCRAFT.

Financial data on time

Tenfore, a Danish-Swiss company, has begun marketing a satellite-based, real-time information system which gives companies access to the same financial information as the banks carrying out their financial transactions – and at a price which should make the system attractive.

"The customer no longer has to find himself in the position of having less information at his disposal than the bank which is disposing of his money," says Henrik Hvidtfeldt, managing director of Tenfore's Danish development company.

Two factors have enabled Tenfore to launch its system – the falling price of transmitting data via satellites and the development of PC screeen software which gives Tenfore's customers exactly the same news and financial information as banks and brokers, but at a much lower price than the systems used by the banks, says Hvidtfeldt.

The service, using a Windows-based system, provides six news services (not including Reuter or AP-Dow Jones), real-time data on 30 stock, derivatives and commodity markets (including the London Stock Exchange, the New York Stock Exchange and Seaq International) and foreign exchange quotes from international banks.

The service is available only in Europe, but Hvidtfeldt says he expects to launch it in North America and Asia next year. Tenfore's software enables a company to filter only the information relevant to the firm and provides calculations for exactly how prices at any time will affect its profit margins.

The cost to subscribers includes a DKr19,000 (£1,900) investment in a satellite dish and modem link to a personal computer, while the monthly subscription cost, including the fee for using the software, varies from DKr3,000 to DKr7,000 depending on which services are required.

Hvidtfeldt says Tenfore has about 150 subscribers in Denmark and as many again in the rest of Europe, where it has sales representatives in 13 countries.

Tenfore was developed in Denmark, where the database facilities and satellite transmissions take place, but the company is incorporated in Switzerland and backed by Danish and international investors.

Hilary Barnes

Taming the volcanoes

Improved forecasting techniques are making it easier to predict eruptions, writes **Victoria Griffith**

Volcanoes, which spit ash, ooze lava and create darkness in the middle of the day, are impressive displays of nature's restlessness. They are also life-threatening: more than 28,500 people died from eruptions during the 1980s. They can cause millions of dollars in property damage and bring industrial activity to a grinding halt.

New technology to improve the accuracy of eruption forecasts is helping to minimise the devastation volcanoes can cause. After the Nevado del Ruiz eruption killed nearly 25,000 people in Colombia in 1986, the US government began taking volcanic forecasting seriously. The US Geological Survey, which tracks volcanic activity around the world, was infused with new funds to create a detailed database and update its techniques.

The new technology will not only help to save thousands of lives, it may also save millions of dollars. According to the Aviation Safety Journal, more than 60 aircraft have been damaged by drifting clouds of volcanic ash since 1980. The repair of a 747 aircraft damaged during the 1989 eruption from Redoubt Volcano in Alaska cost $80m (£53m).

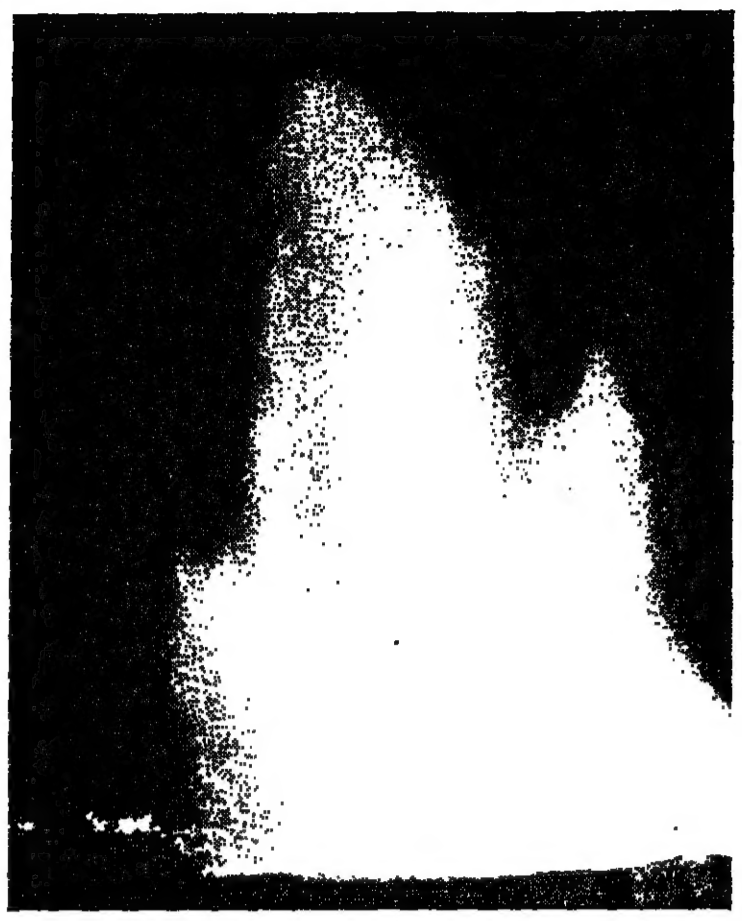
The continuous eruption of Hawaii's Kilauea since 1983 has caused more than $5m in damage, much of it to properties and crops affected by the acid-bearing volcanic pollutants. Mount St Helens in Washington state wiped out thousands of acres of productive timberland.

Losses from interrupted economic activity are harder to quantify, but may be more devastating. Redoubt's eruption, for instance, caused a valuable oil storage terminal to close for several weeks and halted most flights into and out of the region.

Tourism often takes the hardest hit of all. When US geologists issued eruption warnings in California's Long Valley in 1982, the resort area turned into a ghost town almost overnight. And the tourist-based economy of Guadeloupe neared collapse in 1976 after an international group of volcanologists forecast the eruption of La Soufrière.

The Long Valley and Guadeloupe incidents are tinged with bitterness since the predicted disasters never happened. Guadeloupe evacuated 72,000 people and tourists stayed away. Yet the only crisis that hit the Caribbean island was in the economic sphere.

Scientists blame these fiascos on insufficient data. "The identification of fresh volcanic glass in the erupted ash – which seemed to indicate that the volcano was about to erupt violently – was a mistake," wrote Richard Fiske, a volcanologist at the Smithsonian Institution, about the incident.



US Geological Survey

Hawaii's Kilauea volcano is considered 'ideal' because it is seldom life-threatening

Volcanologists today use more sophisticated techniques. Detailed databases are maintained on all life-threatening volcanoes around the world. High-frequency monitors to measure debris flows are now in place. Earthquakes – often the first warning of volcanic activity – are tracked with increasing accuracy. And changes in gas composition, electrical conductivity and other clues are carefully monitored.

As a result, volcanic activity can now be forecast with substantial accuracy, often pinpointing the eruption to within days or even hours of its actual occurrence. When Redoubt erupted in Alaska in 1989 and Pinatubo blew its top in the Philippines in 1991, volcanologists provided important information, not only about the timing of the events, but also about the direction of debris flows and ash blooms – vast clouds formed when tiny pieces of lava or rock are thrown into the air.

"We used information on the ash blooms [during the Redoubt eruption] to know which areas to stay away from, and which were safe to fly through," says Greg Witter, a spokesman for Alaska Air.

Companies can also take advantage of eruption forecasts to move valuable equipment out of the way, and evacuate employees from the area.

"Businesses with sensitive electronics may want to shut down their air filtration system during an ash bloom," says Steven Brantley, public information scientist with the US Geological Survey. Since ash blooms often drift for many miles, they can wreak havoc on property well beyond the life-threatening zone of eruption.

Volcanology can also be used for future planning. After much of its timber was wiped out during the eruption of Mount St Helens, the paper group Weyerhaeuser consulted experts to decide which areas should be replanted and which avoided as too high-risk.

Not all businesses welcome the interference of volcanologists, however. In Long Valley developers have refused to heed warnings in land use planning. "We've had mixed results, because we can't force people to follow our advice," says Daniel Miller, a geologist with the US Geological Survey. "We've had a very negative and unpleasant response from businesses in Long Valley. They just don't believe that they might be in a risk zone and insist on building things anywhere they please."

Developers in the region complain that the volcanologists' warnings have resulted in higher insurance rates, limited areas of potential development and stoked the fears of tourists.

The relationship between active volcanoes and the communities that surround them is not always confrontational. Kilauea has become a leading Hawaiian tourist attraction. It is considered the ideal volcano. Because the eruption is continuous, it is seldom life-threatening and ash blooms are rare. Instead, the volcano throws up a scenic display of colourful lava, which attracts hikers by day and creates a natural light show at night.

Scientists have gleaned much useful information from the decade-long eruption.

"The resorts look to us to provide information on best viewing times, which they pass on to the tourists," says David Clague, scientist in charge of the Hawaii Volcano Observatory at Kilauea. "It's generally pretty tame as far as volcano eruptions go, but it's spectacular at night because it's iridescent."

Focus on Xerox's new film star

Andrew Fisher reports on a new silver-free imaging process

When Xerox Corporation announced its new technology at the start of this week to replace silver compounds in film for the graphic arts market, the precious metals market caught a bad case of the jitters.

Yesterday, these had not entirely disappeared, although it had become clear that the breakthrough would affect only a small part of the film market. Xerox's VerdeFilm is a digital imaging film, which needs strong light and equipment that would be too bulky for ordinary cameras. The US company says it has no plans to introduce its new film to the consumer market.

Even so, any suggestion that silver could be displaced, however marginally, from its biggest market is bound to set the industry wondering what could come next. Last year, 186m troy ounces of the precious metal were used in photography, 31 per cent of total industrial demand; of this, commercial photography accounted for 82m ounces.

Until the Xerox product, developed by its research centre in Canada, is on the market, potential users will not be able to assess its qualities fully. They will be waiting to see if the resolution of VerdeFilm, which dispenses with silver halide and the need for chemical processing in the making of commercial printing plates, is sharp enough for their needs.

Xerox, which highlights the cost and environmental advantages of VerdeFilm, is acting fast to bring its new dry processing film into production. Its researchers only discovered the process six months ago. Having studied its applications, says Edward Ernst, general manager of VerdePrint Technologies, the Xerox unit marketing the film, "we moved very quickly to get to this point".

After further operational testing, he expects VerdeFilm to be in production next summer. To speed its introduction, Xerox has contracted Rexham Custom, a US subsidiary of Britain's Bowater, to make VerdeFilm.

The new film's images are created with a thin layer of minute particles of selenium (a by-product of copper refining and used in photocopier imaging) encased in polymer; these are charged, exposed and developed.

The process, using heat, causes the selenium molecules to move deeper into the polymer and create an image. It is, says Xerox, "no more complicated than feeding paper into a fax machine".

Existing image-setters and scanners will have to be modified. Ernst says this would cost around $500 (£331) for machines whose price runs into thousands of dollars. Agfa, part of the Bayer chemical group of Germany, will talk with Xerox about modifications of its image-setters to take VerdeFilm.

As a provider of film and equipment for the $1.8bn a year graphic arts market, Agfa is both a competitor and potential partner for Xerox.

However, Mike Austin, group marketing manager of Agfa UK, says of VerdeFilm, "we don't see this [VerdeFilm] as a major threat". This is because it will be aimed at the top end of the sector for high-quality uses such as advertising.

Xerox has prepared its ground by lining up partners. As well as Agfa, it plans talks with Fuji Photo, a much smaller player in this market. The two companies are already linked through Fuji Xerox in photocopiers and Ernst says talks have been held about possible co-operation on VerdeFilm – "it's still an open discussion".

No comment was available from Eastman Kodak, a big film supplier in the graphic arts field. Also in this market is Du Pont chemicals. Among image-setting equipment manufacturers with which Xerox has developed alliances are Quebecor Printing of Canada, Business Link Communications of the US and Ultre, part of Germany's Linotype-Hell.

Ernst believes printers using VerdeFilm could make significant savings in their operating cost. Much of this would come from the absence of chemicals.

PEOPLE

Wilson at the cutting edge

More corporate moves afoot in Ipswich. Ransomes, the somewhat troubled lawnmower company, has a new chief executive: Peter Wilson, a 48-year-old ex-BTR man now with the utility Northumbrian Water as head of environmental management.

Bob Dodsworth, the present chief executive, was already due to leave at the end of this year. Wilson's background in engineering and pollution control is not obviously relevant to a business whose main activity is cutting the world's grass. But in such a specialised area, experience is doubtless hard to come by.

According to Wilson, his BTR background sounds more immediately relevant. "I guess they were looking for someone who was used to running a tight business," he says. "It's a question of tight financial controls and building on market positions. Ransomes has a leading position in some key markets, but they haven't always been as successful in getting their products into some markets, such as the US."

If he is new to the world of lawnmowers, he is not alone. The recently appointed chairman, John Clement, made his name as head of the dairy firm Unigate. His short-stay predecessor, John Kerridge, was previously chairman of the drugs group Fisons. The announcement of Wilson's appointment is accompanied by the reminder that Ransomes is still looking for a couple of non-executive directors. In the context of a company whose shareholders' funds have more than halved in the past four years, this is a reminder that the investing institutions will be watching Wilson's progress with a critical eye.

■ Ronald Irving, previously divisional md for the European and North American operations of Christian Salveson, has been appointed group md of FERGUSON INTERNATIONAL HOLDINGS.

■ Jeremy Reed, a former commercial director of The Times, has been appointed commercial director of The EUROPEAN Newspaper.

■ Michael Broadhead, formerly finance director, is appointed deputy group md of HEYWOOD WILLIAMS; Terence Martin, formerly group company secretary and financial controller, is appointed group finance director, and Ian Barron, formerly group company secretary of Greene King, is appointed group company secretary.

■ David Leach has been promoted to the board of SELECTV.

Nader Sultan to run Kuwait Petroleum

Nader Sultan, one of Kuwait's most experienced international oilmen, is to leave the chairmanship of the London-based Kuwait Petroleum International to become deputy chairman of Kuwait Petroleum Corporation, which manages the Gulf state's oil exploration, production, refining and transportation.

KPI, which is an affiliate of KPC, runs Kuwait's network of Q8 petrol stations and the state's European refining operations.

Sultan's appointment will make him the most senior oil executive in Kuwait. It follows last month's resignation of Abdulrazak Mulla Hussein, who left the deputy chairmanship of KPC over differences in oil policy with Ali al-Baghli, Kuwait's oil minister.

KPC has used Hussein's departure to expand the board, appointing also Siham Rizouki, previously an assistant under-secretary at the oil ministry and a familiar member of Kuwait's Opec delegations, and one of the most senior women in the oil industry, as managing director of KPC administration, finance and foreign relations.

Suleiman al-Omani will also join the KPC board from the oil ministry. Ali Al-Mousa, deputy governor of Kuwait's central bank, and Farouk al Nouri, from the foreign ministry, will add to the expanded board.

Another title for Derek Bonham

Derek Bonham, chief executive of Hanson, acquired another title yesterday, when he was made deputy chairman, a rank that has not existed at the Anglo-American conglomerate since Gordon White, now Lord White, who is chairman of the US arm, left for America in the early 1970s.

At the same time, David Clarke, deputy chairman and ceo of the North American arm Hanson Industries, has been made a vice chairman of the group, alongside Martin Taylor. Derek Rosling, the other vice chairman, is stepping down from that position and will retire in May 1994.

Since the position of deputy chairman is senior to vice chairman in the Hanson hierarchy, yesterday's announcement simply underscores Bonham's seniority. Lord Hanson plans to retire in 1997, but a large part of the succession question had already been answered when Bonham, now 50, was made chief executive of the group in April 1992.

Canary Wharf, the company which owns the Docklands property development of the same name, has appointed Patrick Garner as an executive director. Garner (above right), who was born in New Zealand, joins Canary Wharf from the property subsidiary of Trafalgar House, where he was business development director. He was previously chairman and chief executive of Chase Property Holdings.

Last Friday Canary Wharf emerged from administration under UK insolvency legislation. Garner's fellow directors are Sir Peter Levene, the former head of procurement at the MoD, who is chairman and chief executive, and Gerald Rothman (above left), who is the only director to survive from the period before Olympia & York Canary Wharf – as it was formerly known – went into administration last year.

Canary Wharf is now in the process of trying to recruit non-executive directors. It is owned by Sylvester Investments, in turn owned by a group of banks which provided loans for the development.

■ Richard Payne, a former land director of Costain Homes UK, has been appointed development director of BELLWINCH HOMES.

■ David Stones has been appointed regional director of the London office of MANSELL; he moves from the Birmingham office.

■ Jim Lawless took over as managing director of BUILDING MANAGEMENT South & West on October 1, the day that the company, a joint venture formed by Amec and Pell Frischmann, came into formal existence, having been part of the Property Services Agency. Lawless was formerly director of operations and deputy md of the PSA in Bristol; the previous md Stephen Todd retired on September 30.

■ Rod Perks, former md of Widney Enclosures, has been appointed md of Wadkin, part of BM GROUP.

■ Gareth Moore, formerly finance, systems and distribution director of Allied Maples, part of Asda, has been appointed finance director of WIMPEY Homes Worldwide.

Cinema/Nigel Andrews

Misogynist on the rampage

Mike Leigh's *Naked* is so politically incorrect that it risks being trampled to death by outraged ideologues. Greens will be shocked by its morbid relish for urban decay and global despair. Feminists will be appalled as the hero-misogynist Johnny (David Thewlis) rapes, rants and chauvinistically philosophises. And film purists – do we count them as PC? – will think, "This is not a movie, it is a Jeremiad with changing backdrops."

At Cannes the film won two prizes, for best director and best actor (Thewlis). But let us not take that as a quality guarantee. It may just mean that Europeans fell for it as they fall for any UK movie, from the latest Loach to Jarman's *The Last Of England*, that depicts Britain as a doomed island inhabited by losers, villains or madmen.

In reality *Naked* is itself maddening: part good, part bad, part ugly. Our hero Johnny, brilliantly played by Thewlis, is a Leigh special: a gutter Hamlet, awash in downbeat soliloquising and offbeat mannerism, all the way from the snuffly cough that punctuates his sentences to his habit of spinning giant think-aloud arias at the drop of a triviality. "How did you get here?" he is asked at one point: whereupon he delivers a thumbnail history of human evolution.

We first meet him date-raping a girl in a Manchester alley and are soon watching him throw his virility around down South. He has dropped in on the London flat of girlfriend Louise (Lesley Sharp) where the new prey is dimwitted flatmate Sophie (Katrin Cartlidge): a sort of Dalston Vampira with pinched vowels and tighter-pinched black clothing. "Is there an instruction manual for this?" asks Johnny, attempting to unbutton the unbuttonable after Louise has gone out to leave the coital coast clear.

So far, so typical. This is the Doctor Leigh we know from *High Hopes* and *Life Is Sweet*:

NAKED (18)
Mike Leigh

DAVE (12)
Ivan Reitman

THE REAL McCoy (12)
Russell Mulcahy

LONDON FILM FESTIVAL

---

the man who lays his specimen proles on the examining table and solemnly, minutely probes their minds and manners. But *Naked* then moves off in a new, alarming direction. Abandoning individual patients for a general medical inquiry, Leigh tracks all over London pushing his stethoscope at every cardboard everyman he can find in Cardboard City and environs. He seems to be searching for the dark soul of London; or perhaps of all cities; or perhaps of the world.

There is the young Scottish down-and-out shouting for his lost girlfriend. There is the woman Johnny roughs up – he is still our escort-guide – after glimpsing her dancing in a window. And there is the middle-aged office nightwatchman (Peter Wight), forlorn and Hancockian, with whom Johnny strikes up an all-night chat about life, death and the Book of Revelations. Oh good heavens, and we almost forgot Jeremy (Greg Cruttwell). He is the snooty yuppie in a parallel story, who first beats up a waitress and then moves in on That Flat to menace poor Sophie with a stuffed lizard.

Mike Leigh is a wise old lizard himself. He probably knows that people secretly like the political incorrectness of his plays and films, whether sexist or classist. More usually it is the latter: the sacred proletariat coshed with its own obtuseness, and those who try to *escape* from the proletariat impaled on their pretensions. Whatever the satirical agenda, in Leigh's best work there has been an enlivening struggle between the director's dictatorial comic spirit and the fight-back spontaneity of the improvisation-developed characters.

In *Naked* the characters seem to have been allowed little or no autonomy at all. They are pawns in a Great Miserablist Plot. Those who are not villains are victims. Those who are not DIY philosophers like Johnny, or like Leigh's Nietzche-with-a-filofax Jeremy, are birdbrains like Sophie or Louise. Put more bluntly, those who are not men – the bio-deterministic thesis almost seems to amount to this – are women.

Naked has a loose, free-form daring in its structure that one would love say marks an advance in Leigh's work. But in the viewing it seems less like an advance, more like a walk off a tall cliff into a chasm of glib misanthropic and misogynistic generalities. For once the PC crowd (we hate to say it) may be right.

Kevin Kline is multiplied by two in *Dave*, causing us to wonder what marvels or monsters lie in wait if Hollywood gets serious about genetic replication. The interesting thing about this comedy of Presidential imposture – the only interesting thing – is the way it strews living duplications of the famous all through its story.

Not just Kline, who plays both stroke-stricken outgoing President and the goodhearted bumpkin who takes his place, first to placate the media, later for real. (The plot is *The Prisoner Of Zenda* meets *Mr Smith Goes To Washington*). But also walking, talking and smirking through in small cameo roles are Arnold Schwarzenegger, Oliver Stone and a dozen real-life American politicians and newspersons: possibly real, possibly (as I suspect) made in test-tubes.

Certainly the film is made in one. Director Ivan (*Twins*) Reitman and writer Gary (*Big*) Ross begin by heating some funny satire over a low burner. Then just when the substance begins to fizz they pour in a whole lot of schmaltz concerning Kline 2's growing passion for Kline 1's first lady, Sigourney Weaver. This pair is determined to save children's homes, cut out corruption on Capitol Hill and generally bore us to death with social-political piety.

What did Reitman and Ross, bending over their tube, want the film to do? Just to change colour? It does, from bilious wit to sentimental puce. What *we* had hoped for, vainly, was a few sharp crackles leading to a climactic explosion.

David Thewlis in Mike Leigh's 'Naked'

The Real McCoy is a heist thriller with similar pace and wit problems. Hi-tech burglar Kim Basinger is fresh from a six-year jail sentence, and do we mean fresh. Evidently they have a beauty salon and state-of-art hairdresser at the Athens Correctional Facility in Georgia. Looking a million dollars, Miss B comes out to steal $18 million more. She is helped by boyfriend Val Kilmer and hindered by evil former criminal pal Terence Stamp (plus Southern accent). But she is not helped by Russell Mulcahy's direction, which proceeds at the pace of a lobotomised snail even when hell and high hokum are meant to be breaking out during the theft itself.

The London Film Festival is back, starting today. Has it really been a year since London's South Bank was last covered in a seething, palpitating mass of international celluloid? Ah, but my new year resolution for 1993 was not to be rude about the size and unwieldiness of this year's LFF, however tempting. Enough to say that there are over 200 films on show, and those are just the features.

Among entries I have seen, I can commend Atom Egoyan's *Calendar*, brilliantly blending a mock-travelogue with a tale of unravelling romance; Rolf De Heer's Venice Grand Jury Prize winner *Bad Boy Bubby*, a bizarre growing-up tale from Australia mixing sex, religion and comedy of (bad) manners; Tian Zhuangzhuang's touching and majestic *The Blue Kite*, a banned-in-China tale of life in Peking under Chairman Mao; and Maria Luisa Bemberg's *We Don't Want To Talk About It*, featuring magic realism, Marcello Mastroianni and sly comic insights into small-town Argentina.

Among films I know, I also scratch my head and wonder why the likes of Alain Cavalier's *Libera Me*, Bertrand Blier's *1,2,3 Sun* and Assi Dayan's *Life According To Agfa* – groan-inducers at earlier European festivals – have been selected for the LFF. But I said I would not be rude about the event's gargantuan all-inclusiveness. Best to end on hope and to mention such promising yet-unseens as Lindsay Anderson's *Is That All There Is?* (self-portrait of British cinema's grand old man), Stephen Poliakoff's *Century* (Miranda Richardson in tale of mad love and mad science) and Frederick Wiseman's *Zoo* (latest fly-on-waller from the unblinking US documentarist).

Nor let us neglect the golden oldies. John Ford's *The Searchers*, Hitchcock's *Under Capricorn* and William Wellman's *Wings*, plus orchestra. The festival, based at the National Film Theatre and continuing until November 21, is open to all.

Mike McShane, Steven O'Shea and Kevin McNally

Theatre/Alastair Macaulay

'Exact Change' equals failure

The fact that little happens in *Exact Change* is exactly the point, for its three characters are all failures. The point is both comic and serious. These three American men were once at high school together and are stuck working together. First (Act One), they fail to run to run a restaurant; then (Act Two) they fail in crime. Botts: "How did we get here?" Merola: "Bad luck; poor planning; faulty execution." Bompkee: "And shitty ideas."

Much of the time, they abuse each, either verbally or physically. I am seldom bothered by coarse or obscene words; but for about half the play these three men use bad language so constantly and (worse) so meaninglessly that I took offence. I also spent most of the play disliking all three men intensely – spending time with people who recognise their own failure is a wearying business – and took a dreadful pleasure in their bouts of bashing each other up.

The author is the American playwright, David Epstein. That he accurately catches a certain East Coast American type of talk is not in question. But what type of talk is this? We have all heard this kind of American before, because we have encountered it on TV in countless sit-coms. Botts and Bompkee and Merola speak in patterns that are too cute to be real. Even the extent of their failure is cute. They not only fail to rob a toll-booth successfully, they then lock themselves out of the stolen car they used and in which they have left their fingerprints.

At several points, however, Epstein means his characters to transcend this kind of cuteness. Mainly this occurs when they talk, with infinite incomprehension, of the opposite sex. Botts: "What is it about women?" Morelli: "An alien culture." They talk of women's perfumes, of their own castration complexes, and of their own violence to women. They are, of course, as much failures with women as elsewhere; indeed, you start to sense that their failure with women is at the root of their own failings. But it is here that the play becomes touching; and only it is here that I found it possible to laugh.

The production, directed by Aaron Mullen, takes time to find its feet. At first, Steven O'Shea, as Merola, speaks at too monotonous a volume, and the timing is too pat. But Mike McShane, as Bompkee, and Kevin McNally, as Botts, are remarkably persuasive, and O'Shea eventually rises to their level. My reservations are about the play.

*

I reviewed last week the excellent Birmingham Rep staging of Pinter's *Old Times*. Because I did not notice the sung passages including anything from "Smoke gets in your eyes," I assumed that they were omitted. I am reliably informed, however, that in this I was mistaken. My apologies to the actors; and my renewed compliments to the production.

Exact Change is at the Lyric, Hammersmith, W.6, until December 4. 081-741-0824.

Recital/David Murray

Trumpet and piano

At Hakan Hardenberger's recital with Roland Pöntinen at the Barbican, there were a lot of serious, short-haired youths. Budding trumpeters, surely, like the smaller boys in the tow of parents, aunts and grandpas (in fact Hardenberger and Pöntinen are rather shaggy, respectively dark and blond). Hardenberger has already set a famous standard, though he is only 32.

Or rather, perhaps, *because* he was noticed so young (his international career began in his 'teens). Most countries can boast a superb trumpet or two, or three; but rarely do they travel as stars, for they all play the same marketable solo repertoire – which consists exclusively of the Haydn Concerto in D. True, a few "period" specialists struck lucky when the 18th century came into vogue, with all those fleet, high-lying solos for the old valveless trumpet that taxed players whose expertise was geared to Wagner and Strauss. (And Elgar – or any local equivalent.)

Young Hardenberger, however, was peculiarly fortunate in being both precocious *and* omni-competent. He has not squandered his good fortune on easy success: prompted or inspired by him, Birtwistle, Ligeti and Henze have composed trumpet works that are substantial gifts to the meagre repertoire. On Tuesday he ventured in another direction, no less bold but almost archaeological, trying out unknown pieces with piano from earlier this century.

There were two of the Paris Conservatoire's annual competition-pieces (such as all wind soloists depend upon). A Suite by the eighty-something Florent Schmitt – who lived on and on while his music declined relentlessly, from fine early-century works to brittle "Les Six" pastiches – sounded sprightlier than most of his later products. An early "Légende" by Georges Enescu carried an authentic whiff of period drama, heady and moody. We heard also Antoine Tisné's more recent sequence *Héraldique*: whimsically intense and personal, if not so potent as to drive one off in search of more of his music – not right away, anyhow.

By contrast a trumpet sonata by George Antheil (at 53), once known in America as the avant-garde "Bad Boy of Music", proved vapidly cute, downright retarded. In Pöntinen's thoughtful hands (assisted on the ivories by one Hardenberger finger), Charles Ives' "Three Page Sonata" for piano – actually 8 or 10 pages long, and almost a half-century older than the Antheil – sounded the authentic note of passionate modernism.

Pöntinen was less happy in Stravinsky's virtuoso transcriptions of "Mouvements" from his *Petrushka*. They were adapted for the young Artur Rubinstein, partly to please him but surely no less out of mischief; they are recklessly difficult, and in those days Rubinstein hated practising. Nowadays, when everybody knows the orchestral originals, pianists must face up to the crazy challenge of recapturing all that colour and all that teeming vitality. Pöntinen, very workmanlike, fell short of that – and it was a mistake to play only two movements, without the tuneful, exhilarating catharsis of the third.

The recital concluded with Hardenberger's own transcription of *An American in Paris*, calculated to appeal. Though every player in the world must long to play Gershwin's first trumpet, this was not the way to manage it. For one thing, fattening his role by cannibalising the other instrumental parts flattened some inspired contrasts: in the Charleston, for example, muted trumpet was no substitute for Gershwin's soaring violins. For another, Pöntinen – as one might have guessed from his *Petrushka* – never, ever *swings*. Readers who look on the bright side might see that as a sign that American music has not invaded European music completely, not yet.

INTERNATIONAL ARTS GUIDE

■ ATHENS

Megaron Tonight, tomorrow: Ensemble Diagonal in Stravinsky's The Soldier's Tale. Tomorrow: Renato Bruson sings arias with Athens State Orchestra. Sun: Alkis Baltas directs a concert of songs by Stravinsky, Berg, Berio and the Beatles. Mon: Domna Evnochidou piano recital. Wed, Thurs, Fri: Alexandros Myrat conducts La Camerata in works by Janacek, Schnittke, Bach and Honegger. Nov 12-19: Rudra Béjart Lausanne presents choreographies by Maurice Béjart (01-728 2333/01-722 5511)

■ BARCELONA

Gran Teatre del Liceu Sun, next Wed and Sat: Giordano's Fedora with Mirella Freni. Nov 15, 16, 17: National Ballet of Spain (tel 412 3532 fax 412 1198)

■ BOLOGNA

Teatro Communale Tomorrow, Sun: Evelino Pido conducts orchestral concerts with soprano soloist Edita Gruberova. Mon: Shostakovich Trio plays piano trios by Beethoven, Schumann and Smetana. Next Wed: Lyon Opéra Ballet in Maguy Marin's production of Coppelia. Nov 27: opening of 1993-94 opera season with Puccini's Trittico (Biglietteria, Ente Autonomo Teatro Communale di Bologna, Largo Respighi 1, 40126 Bologna. No telephone bookings accepted. For information, call 051-529999)

■ FLORENCE

Teatro Communale Tomorrow, Sat, Sun: Pinchas Steinberg conducts works by Mendelssohn, Grieg and Schumann, with soprano Elisabeth Norberg-Schulz. Nov 12, 13, 14: Gustav Kuhn conducts Bruckner. Nov 19, 20, 21: Carlo Maria Giulini conducts Tchaikovsky and Musorgsky (055-277 9236)

■ LONDON

THEATRE

● Moonlight: Harold Pinter's first full-length play for 15 years transfers from the Almeida to the West End with a cast including Ian Holm and Anna Massey. Opens tonight (Comedy 071-867 1045)

● Relative Values: Tim Luscombe's acclaimed Chichester Festival production of Noel Coward's comedy arrives in the West End with a cast headed by Susan Hampshire and Alison Fiske. Now previewing, opens on Mon (Savoy 071-836 8888)

● She Stoops To Conquer: the Peter Hall Company presents a revival of Oliver Goldsmith's Restoration romp about mis-matched love and mistaken identities, starring Donald Sinden (Queens 071-494 5041)

● Arcadia: Felicity Kendall and Emma Fielding in Tom Stoppard's multi-layered comedy, in repertory at the Lyttelton with Machinal, Sophie Treadwell's 1928 classic of the American avant-garde, starring Fiona Shaw (National 071-928 2252)

● Oleanna: David Suchet and Lia Williams in Harold Pinter's production of David Mamet's powerful play about political correctness and sexual harassment (Duke of York's 071-836 5122)

● Tamburlaine the Great: Antony Sher plays the title role in Marlowe's masterpiece of lyrical story-telling. Terry Hands' RSC production is in repertory with The Taming of the Shrew, The Winter's Tale and a revival of Tom Stoppard's 1974 comedy Travesties, also starring Sher (Barbican 071-638 8891)

OPERA/DANCE

Covent Garden The Royal Opera's repertory this month consists of the new Haitink/Vick production of Meistersinger with John Tomlinson and Thomas Allen (till Nov 13), Yevgeny Onegin with Dmitri Hvorostovsky and Catherine Malfitano (till Nov 11) and a re-staging of Scottish Opera's production of Die Zauberflöte (from Nov 15). The Royal Ballet has MacMillan's production of Romeo and Juliet, a mixed bill which includes MacMillan's Different Drummer and Forsythe's Herman Schmerman, and a Balanchine/Ashton evening (071-240 1066)

Coliseum English National Opera's repertory for the next two weeks consists of Le nozze di Figaro and Il barbiere di Siviglia. A new production of Lohengrin opens on Nov 20 (071-836 3161)

CONCERTS

South Bank Centre Tonight: Esa-Pekka Salonen conducts Philharmonia Orchestra in works by Haydn, Schoenberg and Stravinsky, with piano soloist Alfred Brendel. Tomorrow: The Sixteen in a programme of early English church music. Sat: Vladimir Ashkenazy conducts Royal Philharmonic Orchestra in a Tchaikovsky programme, with vocal soloists Roberta Alexander and Alexander Fedin. Sun, Mon: Klaus Tennstedt conducts London Philharmonic in Mahler's Fifth Symphony. Tues (RFH): John McLaughlin and new band, Free Spirits. Tues (QEH): Matthias Bamert conducts London Mozart Players in Tippett and Mozart, with violin soloist Ernst Kovacic. Wed: Heinz Wallberg conducts BBC Symphony Orchestra and Chorus in Brahms' German Requiem. Nov 14: Jessye Norman. Nov 17, 18: Haitink conducts Shostakovich. Nov 21: Sviatoslav Richter (071-928 8800)

Barbican Tonight: André Previn conducts London Symphony Orchestra in works by Previn and Shostakovich, with cello soloist Yo Yo Ma. Tomorrow: Stephanie Gonley directs ECO in Handel, Bach, Mozart and Tchaikovsky. Sat: Armin Jordan conducts Orchestre de la Suisse Romande in Gaudibert, Schumann and Shostakovich, with piano soloist Martha Argerich. Mon: Tchaikovsky concert with bass soloist Yevgeny Nesterenko. Tues: RPO plays music by American composers. Next Wed, Thurs: Previn conducts LSO in Barber, Bartok and Elgar, with Itzhak Perlman (Wed) and Krystian Zimerman (Thurs). Nov 13: Igor Oistrakh. Nov 15, 16, 17: St Petersburg Philharmonic Orchestra. Nov 23: Sviatoslav Richter (071-638 8891)

■ MADRID

Auditorio Nacional de Musica Tonight: Lindsay Quartet gives the second of its recitals devoted to the string quartets of Beethoven (the final two recitals are on Nov 16 and 17). Tomorrow, Sat, Sun: Antoni Ros Marba conducts Spanish National Orchestra in works by Pergolesi and Stravinsky. Next Tues: Nicolas Chumachenco conducts Queen Sofia Chamber Orchestra in Borges and Vivaldi (01-337 0100)

Teatro Lirico La Zarzuela Tomorrow: opening of Ballet Flamenco season, daily till Nov 14. Nov 18-20: Compagnie Angelin Preljocaj (01-429 8225)

■ PRAGUE

Zdenek Kosler conducts Czech Philharmonic Orchestra and Prague Philharmonic Chorus in works by Brahms and Franck tonight, tomorrow and Sat at Dvorak Hall, with violin soloist Kurt Nikkanen (02-286 0111). Petr Altrichter conducts Prague Symphony Orchestra in a Tchaikovsky programme next Wednesday at Smetana Hall, with violinist Ivan Zenaty (02-232 2501)

● Tickets for theatre and concerts can be ordered from abroad through Bohemia Ticket International, Salvatorska 6, 11000 Prague 1 (fax 02-231 2271)

■ ROME

Teatro Olimpico Tonight: Murray Perahia directs Chamber Orchestra of Europe in works by Beethoven and Mendelssohn. Next Thurs: Andreas Schmidt sings Schubert and Schumann Lieder. Nov 18: I Virtuosi di Roma. Nov 23: Momix Dance Theatre. Dec 2: John Eliot Gardiner conducts Monteverdi (06-320 1752)

■ TURIN

Teatro Regio The 1993-94 season opens next Tues with a new production of I Capuleti e I Montecchi, conducted by Bruno Campanella and staged by Giorgio Marini, with a cast led by Mariella Devia and Martine Dupuy. Ten further performances till Nov 21, with double casting (011-881 5214)

■ VENICE

Teatro La Fenice Tomorrow, Sun afternoon, next Wed and Fri: Christian Thielemann conducts Giulio Chazalettes' new production of Der Rosenkavalier, with a cast led by Felicity Lott, Anne Sofie von Otter and Artur Korn. Nov 20: first night of new production of Mosè in Egitto starring Ruggero Raimondi (041-521 0161)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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Super Channel: Financial Times Reports 0630
Wednesday Super Channel: Financial Times Reports 2130
Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

How market testing is being undermined

PERSONAL VIEW

The market testing programme, which puts work done by civil servants out to tender, has now been running in the UK for almost one year. With the announcement today of the government's achievements in the first round, it is time to reflect on the progress of the programme to date, which many have found disappointing.

The latest figures for departmental savings offer some limited encouragement from the purchaser's perspective. There has been a tendency, however, to focus on cost reduction without full consideration of the options available to improve the added value of service delivery. With few exceptions, policymakers and civil servants have demonstrated an inadequate understanding of the extent of the benefits that the private sector is able to offer and how these may be achieved.

One of the central problems has been the use of public procurement techniques, borne of public sector item purchasing, which are wholly inappropriate to a programme that seeks to simulate the mechanism of market enterprise.

Tenders are often framed in such a way that they severely restrict the scope for using entrepreneurial and forward-looking approaches to deliver greater savings. It is therefore almost impossible for suppliers to minimise reductions in staff numbers while still making an adequate return.

The most typical approach has been for departments to draft detailed service specifications, based upon the current provision. Little regard is paid to the longer-term and higher objectives to be supported, to the alternative methods available to achieve them, or to the flexibility required for outsourcing – where specialist services are bought in from private companies – to work in practice.

By suppressing the scope for innovation and by limiting the benefit that industry is able to offer, these restrictive requirements undermine the central purpose of market testing. It is no coincidence that trade unions have explicitly advised their members involved in market testing to base their specifications on the existing set-up.

Moreover, once translated into a binding contract, such stringent requirements can result in an increasingly inefficient and irrelevant service, without the flexibility to adapt to changing needs and advancing technologies. Indeed, a number of large outsourcing contracts in the US have failed precisely because of this problem.

Potentially this is a political time bomb for the government. If problems do occur, they are likely to be in the mid-term of contracts let under this year's market testing round – that is, about the time of the next general election.

The success of market testing for highly skilled professional services will also depend to a significant extent on the ability of government and private sector to secure the co-operation and commitment of existing personnel. At this early stage, no company will have replacement staff of equivalent capability ready to take over the running of the service.

The government should not overestimate private companies' ability to absorb public sector staff

This begs the question of how to mitigate the inevitable frictions of the "hostile take-over bid" scenario created when a defeated in-house team is expected to transfer to a winning company. Government could minimise the adversarial nature of the process between civil servants and the private sector by introducing a preliminary phase in the market testing process based upon benchmarking a proposal from the in-house team, perhaps in collaboration with a private sector partner, against industry best practice.

Only where it is clear that outsourcing to the private sector will yield additional benefits should a competition for an external supplier be held - without an internal bid, leaving civil servants free to become actively involved in the market testing process and to form a co-operative, rather than adversarial, relationship with the private sector.

Of course, for civil servants themselves the primary concern has been the effect of market testing on long-term employment prospects. Certainly in information technology, most civil service divisions realise that they are over-staffed.

This is compounded by a progressive reduction in staffing needs throughout the IT sector as a result of technological change, and it is clear that redundancies are inevitable, irrespective of whether the services are outsourced or remain in-house.

The government should not overestimate the ability of private companies to absorb public sector staff into their workforce, particularly in the current economic climate.

Nor can departments expect to be shielded from the costs and responsibilities of reskilling and redundancies. Host companies will not want to act as the government's abattoir, taking on staff merely for the opportunity to fire them, even if subsidised to do so.

It is critical that these problems are addressed before the momentum of market testing begins to fade. Otherwise there is a danger that the interest of private sector suppliers will diminish rapidly and the mechanism of competition will become correspondingly less effective.

Market testing is an important initiative which could provide substantial improvements in the value for money of public services. To achieve its full potential, however, private sector involvement should not be based merely on participation in individual tenders, but on the formation of long-term, strategic partnerships with the civil service.

Charles Cox

The author is executive director of Hoskyns Group

ECONOMIC VIEWPOINT

Worldwide threat of weak demand

By Samuel Brittan

A historical parallel to the present-day threats to the world economy would be enlightening to people with imagination.

In 1938-39, the threat of communism to the capitalist democracies had by no means vanished. Yet in those years the main threat came from Nazi Germany. The blindness of many western statesmen to this new threat, and their continued obsession with communism, cost their citizens dearly by delaying preventive action against the Axis powers.

Inflation is like the communist threat in 1938-39. Only the meretricious will say that it is yesterday's threat, or that we can forget about it. But for the time being the greater threat is one of global depression – by which I do not mean a repeat of the Great Depression of the 1930s, but a drawn-out underperformance of output and employment, politically as well as economically debilitating.

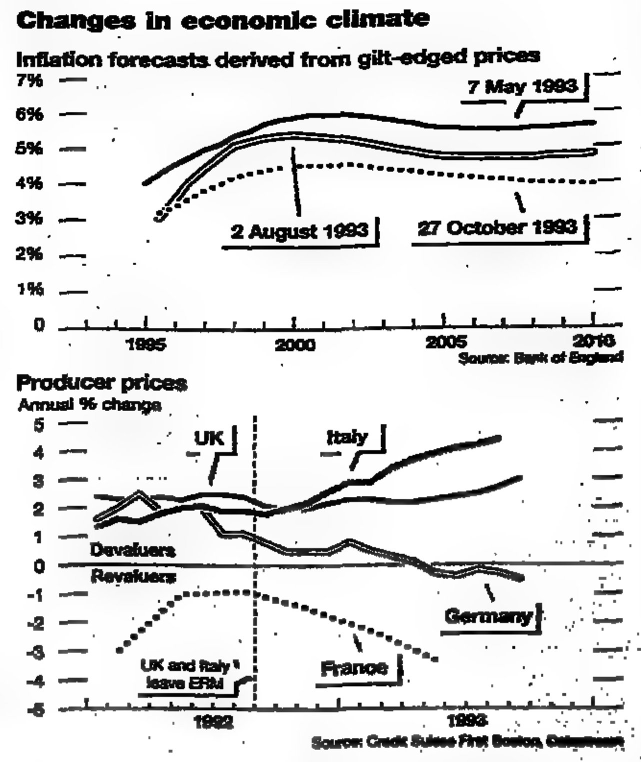
Let me cite three out of many pieces of evidence. Credit Suisse First Boston points out in its October *Economics Bulletin* that the devaluation of sterling and the lira, relative to the D-Mark and the franc, have not had their normal postwar effect – higher inflation in the devaluing countries. Instead UK producer prices have shown only a glancing rise after devaluation, and Italian prices rose less than expected. On the other hand, French and German producer prices, especially the former, have actually fallen.

Credit Suisse First Boston may be jumping the gun in calling the net effect deflationary. Consumer prices normally rise more than producer prices because productivity in services does not rise as quickly as in industry.

Yet the price indices may be deceptive. The best statisticians cannot pick up all the quality improvements or special discounts that lie concealed behind the price-lists. Nor, as even the Bank of England warns us, should policymakers treat as inflationary the knock-on effects of indirect tax increases imposed by governments to relieve their structural budget deficits.

The second instance comes from the Bank of England's new *Inflation Report*. This contains a chart, reproduced here, showing the expected profile of inflation derived from gilt-edged prices. This does indeed show some expected rise from a 1995 low-point, but not by much. The important lesson is that expected inflation in about 10 years fell by one percentage point between May and August, and by almost as much again in the period to October. Inflationary expectations are now "down close to where they had been before sterling's exit from the exchange rate mechanism". Indeed, assuming that gilt-edged yields contain some risk premium, as well as an allowance for future inflation, inflationary expectations lie within the government's 1-4 per cent range.

Changes in economic climate



Third, there are signs that UK retailers' price wars are no flash in the pan. Midland Global Markets Research has collated a good many pointers to retail price restraint being with us to stay. The retail sales price index has risen less than the underlying RPI and sales volume has increased faster than gross domestic product. Within the retail trade, the sectors that have held down prices most have seen the fastest sales. The war between BT and Mercury, together with the price cuts announced by Sainsbury yesterday, exemplify what is happening.

There is a more cosmopolitan element too. Although the importance of China in the world economy has been hyped up, UK imports from the emerging markets – eastern Europe, Latin America and east Asia together – have risen in a mere three years from 17½ to 21 per cent of the total. As Credit Suisse First Boston suggests, such imports have put pressure not only on British margins, but also on the margins of traditional suppliers in western Europe and elsewhere.

These direct influences on the price level of western European countries do not conflict with a monetary interpretation of inflation. What they do mean is that the effects of demand restraint come through more quickly into the price level. This is all to the good. Nor should the success of the new exporters be regarded as a threat. For they do not sell their wares to line their central banks with D-Mark, franc and sterling notes, but to buy western produce and know-how.

What, however, threatens to throw a spanner in an otherwise benign set of consequences is the weakness of demand in the industrial world. The Bank of England mentions a 6½ per cent growth of Nominal GDP as according with "the real growth needed in the recovery, and the inflation target". Yet such demand expansion is not taking place in the UK or in any other leading member of the Organisation for Economic Co-operation and Development. As The Economist pointed out last week, Nominal GDP is growing by 3 per cent or less in all EC countries except the UK; and even in the latter it is well below the Bank's benchmark.

The case for an independently accountable Bank of England has to be restated

We should avoid a futile battle between those who see European depression in terms of inflexible labour markets and high costs of employing workers, and those who worry about inadequate demand. The more flexible labour markets become, the greater the benefits of a moderate but positive rate of demand expansion. In fact, the climate for pay flexibility and for a critical look at labour overheads has never been better – after many decades of moving in the wrong direction. But the one thing that could scupper this new mood and turn it into resentment would be if lower pay and prices simply led to slower demand growth in money terms, with little to show in output and jobs.

* * *

In this new phase the case for an independently accountable Bank of England has to be restated. Its sole task can no longer be just to stop inflation. Nor can the real economy be always safeguarded just by making the counter-inflationary strategy sufficiently gradual. Growth depressions may persist for years without causing a deflation that shows up in the statisticians' indicators.

In current conditions an independent central bank needs to have an objective for nominal demand. Nominal GDP is the best-known variant but other measures, such as domestic expenditure, which I need not labour, may be more operational and suitable for concerted international action.

There is nothing novel about all this. In spite of Alan Greenspan's attachment to price stability, the US Federal Reserve has always had other aims. The New Zealand Reserve Bank operates through a contract with the finance minister, which now covers inflation exclusively, but could be renegotiated next time to cover some version of Nominal GDP.

The main case for an independently accountable central bank is not that it can magically bring price stability at a zero cost. It is the case for having one body clearly responsible for monetary policy, which could not then be blamed on some amorphous amalgam of politicians, officials and central bankers as at present.

Moreover, it is a good democratic idea that fewer decisions should be taken by a central government, constantly looking over its shoulder at its parliamentary majority, and that more should be taken by other bodies accountable in other ways.

It is still desirable that a central bank should acquire a first-class counter-inflationary reputation. For it can then get away with more demand stimulation when the time is ripe, and there will be fewer suspicions that it is taking inflationary risks to buy an election. But this need not prevent it having wider objectives.

To revert to our opening analogy from the 1930s. The statesmen who most successfully took on the Nazis were far from soft on communism. But they were aware that there was more than one threat and that different threats could be uppermost at different times.

LETTERS TO THE EDITOR

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Nuclear review conclusions not obvious

From Dr Dieter Helm.

Sir, Professors Fells and Lucas (Personal View, November 2) rightly point out that the issues facing the nuclear industry necessitate a wide-ranging inquiry with broad terms of reference. The conclusions of such a review are, however, far from obvious, and they may not be so clearly pro-nuclear as the authors might wish.

The authors think it wise to maintain a 20 per cent reserved market for nuclear power. There is, though, nothing magical about this level of contribution, nor any obvious reason why this bit of the market should be reserved for nuclear power. Furthermore, the authors are quite wrong to assert that "electricity from Sizewell C can be competitive with gas". The large construction costs, the long time period, the uncertainty about load factors and about the disposal of waste fuel do not compare very well against the economics of combined cycle gas turbines (CCGTs). To suggest that "it is a question of convincing prospective investors", rather than one of fundamental lack of cost competitiveness, is unconvincing.

Indeed, having extolled the virtues of more pressurised water reactors (PWRs), the authors concede quite rightly that "a new nuclear plant is unlikely without government support". What the authors really want is terms of reference which give the answer: "Sizewell C". May I suggest the relevant question then is: "If 20 per cent of the British electricity market were reserved for nuclear power, should a new PWR be built?" It is precisely because it is far from obvious why nuclear should have a special place in the market that the terms of reference of the nuclear review should indeed be broad: a thorough investigation of the costs and benefits of nuclear power is needed, so customers who will have to pay for new reactors can see whether the bills are worth paying. Only then will the nuclear industry have a degree of stability in planning its future.

Dieter Helm,
fellow in economics,
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Oxford

Standards institution 'punctilious' in following Cadbury Committee code

From N C L Macdonald.

Sir, As a board member of the British Standards Institution, and as a member of the Cadbury Committee, I was disturbed to read the incorrect assertion ("Standards authority faces criticism", November 3), apparently made by the former chief executive of BSI, that proposed changes to BSI's constitution were "against the recommendations on good corporate governance proposed by the Cadbury Committee".

Far from contradicting the code, the BSI board (and its audit committee which I chair) has been punctilious in seeking to observe the spirit and the form of the code. Unjustified criticism, particularly if linked to inaccurate comment by past employees, provides an inadequate basis for an effective debate.

In fact, the Cadbury recommendations do not, formally, apply to BSI, but the board decided, from the moment that it was reconstituted, that it would follow the code. Several changes have been made as a consequence, not least the extensive disclosure now given in the annual report.

The board was reconstituted, following changes in BSI's constitution which were approved by its members at the 1991 annual general meeting, to reflect best commercial practice. Recent events have focused attention on the responsibility of non-executive directors to ensure that the organisations with which they are associated have proper systems of control and suitable management information to discharge their responsibilities properly. The BSI board has no intention of shirking from these responsibilities.

The board will welcome constructive questioning from any members who attend the annual meeting on November 4 where they will quickly learn that the actions taken and changes proposed by the board reflect a logical and considered approach to bringing the BSI into a state in which the members' interest can be better served.

The challenges facing BSI are profound and the board has taken action to ensure that these issues are tackled. The chairman and the executive committee have been addressing numerous difficult but vital issues, and report regularly to the BSI board. Effective corporate governance requires no less.

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Muddle in the Chunnel

From J R Stanyard.

Sir, Your call for the government to bear the risk of the preconstruction stage of major infrastructure projects ("Chunnel link", October 29) is to be welcomed, but your arguments for giving priority to the Channel tunnel link are flawed.

First, the fact that the project is already delayed is immaterial; it should be evaluated alongside other competing schemes using today's estimates of benefits and uncommitted costs. The history of the proposed link, however protracted and tortuous, should not affect the decision.

Second, using a massive, high-profile initiative is more likely to flood the "pump" of private/public finance than to prime it. Has not experience of major projects taught us that novel techniques, whether technological, managerial or financial, are most likely to be successful when they have been piloted in lower-risk situations? Surely we should be looking to learn quickly on smaller, high benefit/cost ratio projects and feeding the lessons into the big schemes as they develop.

The Chunnel link is needed but let us ensure a decision on its fate is made on rational grounds. Muddling the debate with that on innovative ways of funding public works will do both causes a disservice.

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Differing impressions of European unity

From Mr Stanley Crossick.

Sir, Your leader, "European union" (November 1), was timely and excellent. The UK government and much of the media is giving a false impression of the state of European union. If we are not careful, the UK will again miss the boat. Economic recovery needs the single market. A permanent European single market cannot be achieved without permanent monetary stability. The only feasible plan to achieve monetary stability is Emu, including, in due course, a single currency. Emu and a single currency will lead to further political integration.

But it does not stop with the European union. A substantive increase in global multilateral trading needs both a successful Uruguay Round and monetary stability. Global monetary stability can only be achieved by a system being worked out between the US, Japan and the European Union.

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From Dr Raphael Papadopoulos.

Sir, The unresolved question of whether those opposed to European integration must be called Eurosceptics or Europhobes has been further complicated by Britain's prime minister describing himself as the most Eurosceptic of them all. The question now is whether someone who is most Eurosceptic must be Eurosceptic/Europhobe, or Euroscepticphobe for short.

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FINANCIAL TIMES
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Thursday November 4 1993

Democrats in retreat

THE REPUBLICANS did well in Tuesday's state, city and local elections in the US. They replaced Democratic governors in New Jersey and Virginia, unseated the Democratic mayor of New York, and emerged victorious in several smaller contests. These were not national ballots but the outcome will make it more difficult for President Bill Clinton to get his legislation through Congress. The tide of political opinion is clearly not running his way.

It is true that local factors play a larger part in US local elections than they do in their counterparts in many European countries. New York's outgoing mayor, David Dinkins, who lost by a whisker, was not an outstanding success in a job that may be impossible to do well. New Jersey's outgoing Democratic governor, Jim Florio, who also lost by a slim margin, had increased taxation and incurred the wrath of the National Rifle Association. In Virginia the Republican, George Allen, won by a convincing 58 to 41 per cent, but the vote was influenced by support for religious fundamentalism.

Party allegiance does, however, count for something, perhaps more than many Americans believe. Democrats are still governors in 29 of the 50 states. They control an overwhelming majority of US city halls, in spite of losing Los Angeles earlier in the year. In off-year elections there is often a swing against the party that controls the White House, as even President Ronald Reagan discovered shortly after taking office. Added to that, the electoral mood this year is against incumbency itself. In Maine and New York City the voters approved limits on the number of terms any one representative could serve.

The danger for President Clinton is that while there are more Democrats around there are more who can be turfed out. The big test will come next year, when there will be gubernatorial contests in 36 states, and a third of the senate and the entire lower house will be re-elected. The swing of the pendulum alone suggests that the Democrats are likely to be the loser in these mid-term elections. If Mr Clinton is to rely on what is at best a tenuous party allegiance in Congress he must try to get as many votes through Congress as he can during the coming year.

One important vote is due in a fortnight, when the lower house will decide on ratification of the North American Free Trade Agreement. There is no doubt that the US economy would benefit from Nafta, but in particular areas there are fears about the exportation of jobs across what would be a barrier-free border with Mexico. Several head-counts suggest that before this week's Republican triumphs support for Nafta in the lower house was short of victory by some 50 votes. Tuesday's results will have made some individual congressmen and women more nervous about their re-election next year. Much work will have to be done by President Clinton between now and November 17 if the passage of the Nafta deal is to be assured.

Closed skies

EUROPE'S AIRLINE passengers are still suffering from high fares nearly a year after the European Community's open skies policy came into force. Competition has been slow to develop and, according to a report yesterday by the UK's Civil Aviation Authority, there is little prospect of improvement.

Part of the explanation is that the middle of a deep recession is not the best time to raise funds to develop competitive services. But the main problem is the entrenched position of Europe's flag-carriers. About 95 per cent of international scheduled routes within the EC are served by monopolies or duopolies but only 28 by three or more carriers.

Where two flag-carriers operate, the prospects of competition are slim. Established players, which have lived for decades in a culture of state-sponsored collusion, have little incentive to start price wars. But where three players operate, the dynamics are more promising, the CAA report shows. The most significant price cuts this year have occurred on routes where British Midland has started to run services.

The snag is that it is still hard for third operators to enter the market because most of the Community's busiest airports are congested, with scarce take-off and landing slots already allocated to flag-carriers. Matters are made worse by governments' habit of subsidising their airlines, which means potential rivals are not competing on a level playing field.

The ideal solution would be to increase the supply of slots by building more airports or runways and to ban state aid. But such radical actions are unfortunately not practical politics. The French government's recent u-turn over plans to restructure loss-making Air France shows the difficulties of curbing state aid. Equally, building new airports runs smack into environmental lobbies.

The CAA's answer is to put forward proposals which go some way towards creating the conditions for effective competition but also stand a chance of being politically acceptable. It wants the Commission to insist that state aid is linked to plans to cut costs sharply so that further hand-outs are not needed and that subsidies are not used by airlines to buy market share through the purchase of smaller competitors.

The CAA also argues that slots should be freed up for use by those airlines which are most likely to challenge the established order. Here its approach is incremental, relying on distributing any new slots that become available rather than confiscating existing slots from flag-carriers. Yet it is still more radical than the Commission's current policy.

Passengers may feel that the CAA's proposals do not go far enough. But vested interests are so powerful that it will not be easy for even these modest ideas to win acceptance. If passengers want more, they will have to make their voices heard loud and clear.

VW's 29 hours

GERMANY is struggling to adapt manufacturing employment to reduced demand for its high-cost goods. According to the Organisation for Economic Co-operation and Development, German unemployment will grow from 7.7 to 11.3 per cent of the workforce between 1992 and 1994 – a far bigger increase than in any other large industrial country.

Volkswagen, the loss-making motor group, faces not only the general problems of German industry, but also some specific ones caused by inability to control costs during previous periods of capacity expansion. It is, however, not clear whether the company's radical proposal for a four-day week from January 1 maps out the route to recovery.

Volkswagen says it needs to cut its 108,000-strong workforce to 72,000 by the end of 1995 – a consequence of stagnating sales and big productivity improvements. Labour reductions of this order can be avoided, VW maintains, only if employees agree both a 20 per cent cut in working hours – to 28.8 from 36 per week – and equivalent reductions in wages. The IG Metall trade union, which in the past has led an industry-wide drive for shorter hours, has ruled out 20 per cent pay cuts, but indicated willingness to compromise.

Bound by a commitment to the Lower Saxony government, VW's largest shareholder, to maintain a 100,000-strong domestic workforce until the end of 1994, the company's chairman, Mr Ferdinand Piëch, badly needs a deal. However, in his efforts to press through wage cuts, he holds strong negotiating cards. Germany's labour costs, having failed to adjust to straitened economic circumstances, are too high, while VW workers earn roughly 10 per cent more than in other German motor groups. The company may partly offset reductions in workers' living standards with cash which would have been deployed for redundancy programmes.

Provided IG Metall agrees appropriate pay cuts, the plan could grant Volkswagen breathing space in which to work out longer-term arrangements for lowering costs. Yet unless the company can foresee a relatively speedy return to five-day working (at present unlikely), cuts in working hours will not be more than a short-term expedient for tackling the fundamental problem of over-manning and excess capacity.

Such deals have only limited applications for companies in similar predicaments. They do not tackle the non-wage costs which represent an important burden on German companies. Additionally, across-the-board reductions in pay and hours, demanding equal cuts in living standards from all workers, irrespective of their productivity, could even counter the move to more flexible working practices which Germany urgently needs. German labour and management are showing welcome readiness to negotiate solutions to the country's industrial difficulties. But they are still only at the beginning of the adjustment process.

Reluctant to walk the gangplank

Hugh Carnegy says the debate over the Volvo-Renault merger symbolises Sweden's vexed attitude to the EC

Volvo has always been close to the hearts of Swedes, remarked a hard-pressed company spokesman this week. It was, he said, "normal, natural and fair" that an emotional national debate had sprung up over the plan to subsume Volvo's quintessentially Swedish cars into a junior partnership with mighty state-owned Renault of France.

By the same token, the vexed question of whether Volvo's shareholders should approve the merger with Renault has come to symbolise a broader argument over Swedish attitudes towards the country's role in the wider world – and in particular its application to join the European Community.

Like the recession-battered country as a whole, Volvo is just recovering from a traumatic three years dominated by losses. Just as the nation's political leaders have decided membership of the EC is essential to the future economic and political well-being of Sweden, so the Volvo board has decided the long-term survival of its core car and truck-making operations depends upon a strategic link with a big European partner.

But to what degree does opposition to the Volvo-Renault deal really mirror an apparently solidifying resistance in the country to the notion of EC membership? And, in a wider sense, do both concerns signal a tendency in Sweden to turn inwards in response to what is the worst economic slump in 50 years?

Professor Assar Lindbeck of Stockholm University, Sweden's leading economist, believes that the nationalistic element in the fight against the Volvo-Renault merger only emerged seriously after substantive objections were raised by shareholders, not vice-versa. He says the core issues in the opposition revolve around the industrial strategy behind the deal and the role of the French government as the owner of the merged company – not foreign ownership.

"I don't think feelings about foreign control are any greater in Sweden than anywhere else – possibly less. What matters in this case is the involvement of a foreign government with protectionist instincts. French governments have been more interventionist than Swedish governments have been.

"If the French government had not been involved I don't think the merger would have become an issue in the country."

It is true that the mainstream political parties and, crucially, the majority of trade unions, have supported the Volvo-Renault deal. The LO, the confederation of blue-collar unions, has not flinched in the face of a media campaign to prevent Volvo being "sold out", saying more foreign investment is needed to secure jobs in Sweden, not less.

Nevertheless, nationalistic overtones have become prominent in the Volvo debate. Svenska Dagbladet, the respected conservative newspaper which is normally vigorously against state intervention, has called for Prime Minister Carl Bildt's right-centre government to step in to stop the deal in its present form. "Just as Renault is important to France, so Volvo is for Sweden," is the mantra of the paper's chief economic commentator, Mr Peter Malmqvist.

Mr Olav Ehrenkrona, Mr Bildt's senior domestic policy adviser, says Svenska Dagbladet's stance on Volvo is indicative of the strains Swedish society has been under in recent years as recession and reforms have eroded the old comfortable certainties of the country's strong industrial base and elaborate welfare system.

"It is very difficult for people to stick to principles when those principles lead to painful results you did not expect," he says.

The pain he refers to extends far beyond the unedifying sight of a treasured national symbol such as Volvo sliding under foreign control. Three years of slump, in which the economy has shrunk by more than 5 per cent, have heavily battered the "Swedish model".

Unemployment, once below 5 per cent, has leapt up to more than 13 per cent of the workforce. Real wages and disposable income have fallen. A combination of rapidly deteriorating public finances and politically motivated reforms has led to lower unemployment benefits, higher healthcare and education charges and much tighter sick leave rules.

At the same time, Sweden's traditionally liberal refugee policies have led to a surge in foreign newcomers recently, with at least 70,000 citizens of the former Yugoslavia alone set to settle in the country over the next couple of years. Their arrival in the middle of a severe downturn has sparked unprecedented levels of anti-immigrant feeling. It is mild by the standards of Germany or France, but weekend riots by right-wing racist groups in industrial centres such as Gothenburg and Trollhätten are no longer unusual.

"Sweden has been a very homogeneous place," says Mr Olle Wästberg, until recently senior aide to Mrs Anne Wibble, the finance minister, and now editor in chief of Expressen, a top-selling tabloid newspaper. "Now people in the streets and in small towns are seeing people who are very foreign to them. It is taking time to get used to it, especially in a recession."

Such trends have tended to reinforce the argument against Swedish membership of the EC. Membership is seen as representing a further dilution of Swedish identity, opening the way to more foreign influence and a flight of more jobs abroad. Recent opinion polls have shown opposition to membership hardening at about 45 per cent, with support dwindling to less than 30 per cent.

"People tend to confuse the issues," says Olle Wästberg. "When they see (state-funded) day-care centres being closed early, they may blame the EC because they hear the government saying that one reason for changes in taxes that lead to cuts in public spending is to harmonise our tax system with that of the Community."

Mr Wästberg says he will keep the populist Expressen pro-EC as the country moves towards a referendum on membership, expected sometime late next year. He believes public opinion can be turned around, but, like many others, says much will depend on the attitude of the country's biggest political party, the opposition Social Democrats.

The Social Democrats, led by Mr Ingvar Carlsson, are well placed, according to opinion polls, to win next September's general election. But they are deeply split on the EC. They lodged Sweden's application to join the Community when last in government, but only after a controversial *volte-face* in party policy carried through by the leadership.

Today, more than 50 per cent of Social Democratic voters indicate in polls that they are against membership, with less than 20 per cent in favour. This would be enough of a hurdle to winning a referendum in itself, but it is an insurmountable obstacle given that a majority of voters from four of the other six main political parties in favour of membership are also opposed.

Because of the split in their own ranks, the Social Democrats currently treat EC membership like fatal poison, avoiding addressing it in public. An exasperated Mr Bildt, struggling to get the case in favour across to the public, has resorted to trying to goad the Social Democratic leadership into supporting the policy it put into place when in office.

Undoubtedly, the internal strains of the past three years – and the successive crises in Europe – have left many Swedes sceptical and uncertain that greater economic, political and industrial integration with Europe is the way forward.

But, as Prof Lindbeck points out, it is also true that many Swedish companies have long since taken that path, becoming in the process genuine international organisations with much more of their production outside Sweden than at home. Just early last year, a majority of Swedes were in favour of EC membership.

An upturn in the economy, expected to take hold next year, and a more positive stance by the Social Democrats could yet turn around opinion on the EC. By the time a referendum is held, the row over Volvo's merger with Renault will be long past, and its outcome either way is unlikely to be a significant factor in the settling of the EC debate.

Fitness regime for '90s

David Marsh on the changes foreseen by European banks

European commercial banks pondering their strategies for the end of the century foresee a tighter, leaner future – for themselves and their customers.

They will be more cost-conscious and closely regulated than today, and will employ considerably fewer staff. They will make more of their profits from trading activities rather than lending. They will offer a broader scope of services to retail and corporate customers, but at increased fees.

These are the main findings of a broad survey of European banking and capital markets published yesterday, polling the views of executives from 400 banks and institutions across 21 European countries.

The study, by consultants Arthur Andersen, shows that European banks are sceptical about the prospects for introducing a single European currency by the Maastricht target date of 1999.

Doubts about the feasibility of reducing European currency fluctuations are greatest in Germany, France and the UK. Banks are unlikely, however, to be worried by the damping of hopes for speedy economic and monetary union, as they expect to make an increasing share of earnings from dealing in European currency instruments.

The banks are pinning hopes for expansion above all on trading in derivatives, equities, money market instruments and corporate bonds. Their emphasis on derivatives – instruments such as swaps, futures and options used to hedge exposure to foreign exchange and interest rate fluctuations – has already caused some concern among international bank supervisors, who have pointed to the need for greater surveillance of these markets.

Partly reflecting such worries, banks expect increased moves towards EC-wide regulation by the end of the decade, with 45 per cent of respondents saying this would hit profits. Anxiety about the impact on earnings of tighter regulation is greatest in Belgium, France and Luxembourg, as well as central and eastern Europe.

A majority of banks believes a pan-European free market in financial services will improve profitability. But French banks are exceptionally nervous about increased competition from other EC countries: 45 per cent of respondents believe this will reduce profitability, compared with only 15 per cent who hold this view elsewhere in Europe.

As increased domestic and international competition lowers profitability in traditional lending and deposit business, banks are consciously widening their scope. There is a trend towards German-style "universal" banks, grouping commercial and merchant banking activities under one roof. Most respondents believe universal banks will significantly gain market share in a wide range of areas – from derivatives and foreign exchange to insurance and deposit-taking.

The need to cut costs is reflected in banks' intention both to reduce staff numbers further and to press ahead with costly new technology – part of the move towards "branchless" banking.

Significantly, German banks – although apparently seen as a model by many competitors – emerge as among the most likely to be affected by future changes. At present relatively fragmented, the German banking industry expects much greater concentration. Ninety one per cent of German respondents, compared with 58 per cent of their European counterparts, expect further closures of bank branches.

German bankers see far more opportunities than others from expansion in central and eastern Europe, and believe hostile takeovers – currently exceptional in Germany – will be more common.

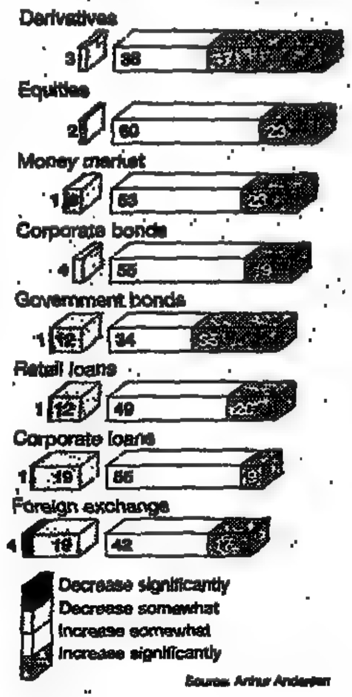
For all the differences in individual countries, banks spot one overriding trend with considerable relevance for the development of capital markets across the continent. As public sector social security schemes come under pressure for economic and demographic reasons, retail customers are likely to turn more to banks for long-term pensions and insurance products.

As banks examine questions about their roles and identities, the report makes clear the scale of the management challenge. As Mr David Andrews, Andersen's head of financial services, puts it: "For survival, change is not optional – it is mandatory."

Where bankers see growth

How will the size of markets change over the next five to seven years?

% of respondents



Source: Arthur Andersen

OBSERVER

Fax of the matter

■ John Katz, the research consultant who emerged from obscurity to marshal opposition to PosTel's bid for property company Greycoat, has had to attend to a spot of administration in the past week. For he has been besieged by disgruntled Ferranti shareholders, seizing on him as their possible saviour in fighting the 1p-a-share offer from GEC.

Operating from a PO Box in Richmond, Surrey, with just one line for the phone and fax, John Katz & Associates has this week procured itself an answering service, ordered two extra telephone lines, and started making inquiries as to whether it needs regulatory authorisation if it decides to take the Ferranti case further.

Katz, it emerges, is essentially a one-man-band, but he has obviously used his scarce resources to considerable effect.

One merchant banker, slightly bewildered by the following he has built up, says the Katz technique is to bombard his prey with faxes. "God knows what he did before the machine was invented," observes this particular victim.

A barrister who qualified in South Africa, Katz has lived in the UK since 1979, initially working as European marketing manager of a subsidiary of Anglo American.

Later, investing his own funds in the stock market, he extended his advice to "a select group" of clients, his speciality being undervalued shares. He was roped into Greycoat because one such client, a Rolls-Royce dealer in Putney, had got involved with the company at his recommendation.

"So there was a measure of commitment for the advice I had previously given," he remarks. Now he has warmed to the cause: "The arrogance which merchant banks and directors adopt in these circumstances is very damaging".

It would certainly seem that Greycoat's advisers, Rothschild, seriously underestimated Katz, an unknown in the City hitherto. S.G. Warburg, advisers to GEC, take note.

Lucky Jacques

■ Napoleon's ghost must be smiling on the European Bank for Reconstruction and Development's choice of Jacques de Larosière to succeed Jacques Attali as its president.

After all, Bonaparte's main criterion for choosing generals was that they must be lucky, and, unlike his predecessor, the new president looks to be fortunate even in his misfortunes.

Witness the effect on the media of his recent arrival at the IMF annual meeting in an ordinary Washington DC taxicab. The press applauded it as an admirable contrast with Attali's love of limousines and private jets.

'The Gerry Adams voice-overs have dried up'

Alas, it now transpires that the cab journey was not a deliberate symbol of the dawning of a new age of austerity at the bank. The IMF had in fact laid on a limo to collect de Larosière at Dulles airport, but the chauffeur failed to recognise the former Banque de France governor and drove away without him.

Privately, he was not amused.

Late rise

■ Dark counsels prevailed at Westminster as Britain's parliamentary legislators tackled the public relations problem of voting themselves a 2.7 per cent increase for each of the next two years during a pay freeze for the likes of doctors, teachers and nurses.

Aware that the frozen might be somewhat less than overjoyed at the idea of their elected representatives' salaries rising at twice the rate of inflation, the MPs delayed the vote until the last possible hour of the night. "Keeps it off the evening news bulletins, you understand," confided one of John Major's none too hard-up supporters.

Kohl shoulder

■ Chancellor Helmut Kohl needs all the help he can get when it comes to sewing west and east Germany back together again. But there is one worthy endeavour with which he is unlikely to have much truck.

Launched today in Bonn, the National Foundation for Germany is the brainchild of two men who rank among Kohl's most seasoned political rivals – ex-chancellor Helmut Schmidt, now displaying almost Bismarckian curmudgeonliness at the age of 74, and Kurt Biedenkopf, the prime minister of the east German state of Saxony.

Biedenkopf may be a member of the chancellor's own party, but he shares with Schmidt the belief that Kohl's blind spot over the extraordinary cost of unification has greatly exacerbated the country's problems. Mere mention of Biedenkopf's name has been known to send Kohl puce with indignation.

The foundation, to be based in Weimar, will specialise in that worthy German occupation of organising debates and study groups to ponder the country's future.

Schmidt, who has fairly piled up the cash since leaving the chancellorship 11 years ago thanks to the success of his books, is putting DM1m into the organisation.

Similar contributions are expected from the likes of Hermann Josef Abs, former chief executive of Deutsche Bank, and Gerd Bucerius, founder of the newspaper Die Zeit.

A fund-raiser in Berlin at the end of the month aims to swell the coffers further.

No surprise that it is president Richard von Weizsäcker rather than the chancellor hosting the occasion.

Well suited

■ A reader who opened his charity gala programme recently to find adjacent ads for Sketchley and Slaughter & May remarks that, while he knew solicitors took their clients to the cleaners, he was not aware that they normally specified which ones.

FINANCIAL TIMES
Thursday November 4 1993

Rightwing victory in Jerusalem may damage Arab-Israeli peace process

Rabin warns over poll defeat

By Julian Ozanne in Jerusalem

MR YITZHAK RABIN, Israeli prime minister, warned yesterday the defeat of his Labour party and of veteran Mayor Teddy Kollek in Jerusalem municipal elections would have a damaging impact on the Israeli-Palestinian peace process and on Arab-Jewish relations in the holy city.

His warning came after preliminary results of the Jerusalem poll last night showed a substantial victory by Mr Ehud Olmert, the rightwing Likud candidate, over Mr Kollek, the moderate mayor who has led the city for 28 years. Mr Olmert said yesterday the preliminary results showed he had defeated Mr Kollek by 59.5 to 34.6 per cent.

Elsewhere in the country the Likud party kept control of Tel Aviv, Israel's commercial capital, and took six other councils from Labour. Labour won three councils from Likud.

The results of the Jerusalem election are a big boost to the demoralised Likud party and a setback for Mr Rabin who had, unwisely according to political experts, turned the municipal polls into a vote of confidence in his peace policy.

Mr Olmert, a 48-year-old former cabinet minister, campaigned on an aggressive policy of Jewish settlement anywhere throughout the divided city and has raised fears of increasing Arab-Jewish tensions at the heart of the most sensitive issue for future peace talks: control of the disputed city.

Last night Mr Olmert, who has opposed the Israeli-Palestinian peace accord, said he strongly supported solidifying Jerusalem as a united city under Israeli sovereignty. He said he backed the right of any Jerusalem resident, Arab or Jew, to buy property anywhere in the city. In practice experts say this would open the door for ideological Jewish settlement in Arab neighbourhoods.

Senior Palestinian politicians warned that Mr Olmert's election would exacerbate already strained relations between the two communities in Jerusalem.

Mr Rabin yesterday warned against the dangers of Mr Olmert reviving past efforts by Likud to settle Jews in Arab areas. "If there will be a repetition to what the Likud did in the past in sneaking to apartments in the Old City, Silwan and the City of David it can cause great harm to the delicate fabric of relations."

Mr Olmert last night criticised Mr Rabin for politicising his elections and sought to reassure Jerusalem residents saying he would treat Arabs as equal to Jews in the allocation of resources: "We will invest more in improving the quality of life of Palestinians in East Jerusalem."

Mr Olmert said he expected to be deeply involved in negotiations on the future of Jerusalem due to begin within two years and would insist on no territorial concessions to Palestinians.

CAA warns of threat to 'open skies'

By Paul Betts, Aerospace Correspondent, in London

FRESH proposals to counter delaying tactics on "open skies" were put forward by the UK Civil Aviation Authority yesterday.

The CAA is seeking to prevent blocking moves by some European Community countries and their national airlines which it says are a threat to the development of competition in the industry.

Mr Christopher Chataway, the CAA chairman, said the EC's air transport liberalisation policy had created the conditions for more competition, but there was a serious risk that countries would seek to undermine its full implementation.

"If the policy is not adopted in practice, there could be even more concentration, even less competition leading to higher fares and less choice for consumers," he warned.

SLOTS HELD AT HEATHROW 1992-93

	Number	% of total
British Airways	157,929	38.5
British Midland	55,014	13.4
Lufthansa	19,452	4.7
SAS	14,988	3.7
Aer Lingus	14,658	3.6
Air France	14,187	3.5
United	11,023	2.7
KLM	9,978	2.4
Alitalia	8,892	2.2
Iberia	8,550	2.1
Others	95,534	23.2
Total	410,205	100

Source: Airport Co-ordination Ltd

Mr Clifford Paice, the CAA's head of economic regulation, added: "The danger is that the industry's short-term problems will lead to short-term solutions which in turn will lead to long-term problems."

In document published yesterday, the CAA called for a change in EC policy on landing and take-off slot allocation at congested airports, tougher controls on state aid for financially troubled airlines, the application of a more rigorous EC aviation mergers and acquisitions policy, and stringent safeguards against anti-competitive behaviour.

The report, which is expected to be the first of a series of documents to maintain pressure on the EC to pursue its airline liberalisation policies, shows that normal economy fares on EC routes in continental Europe are about 30 per cent higher than routes from the UK to elsewhere in the EC as well as domestic US routes.

It also shows that EC airline costs, with the possible exception of British Airways, Virgin and British Midland, are significantly higher than those of US carriers.

Mr Paice said: "More than 95 per cent of EC routes are monopolies or duopolies and only 26 routes in the EC have more than two carriers." The report shows that flag carriers have been forced to adapt their fares where a third competing airline, such as British Midland, has entered a busy route.

Although the CAA is not at this stage calling for the confiscation of slots at busy airports such as Heathrow from dominant airlines to make room for new competitors, it is proposing a toughening of EC slot rules, which require half of all newly created slots at congested airports to be granted to new entrants. Instead, the CAA wants all newly created, unused or otherwise available slots to be earmarked for new, competing third carrier services.

"State aid to keep Air France afloat is OK – but financing Air France to buy BA is not," Mr Paice explained.

Airline Competition in the Single European Market. CAA, PO Box 41, Cheltenham, Glos, GL50 2BN. £15.

Cheap CD company faces writs alleging 'pirate' record sales

By Michael Skapinker in London

TRING International, the budget price compact disc company being floated next month, faces legal action for allegedly selling pirate recordings of Olivia Newton John, Cat Stevens, Bob Marley and other artists.

Tring, whose chairman is Mr Alan Wheatley, former chairman of venture capital group 3i, is also being sued for allegedly passing off one of its CDs as being by the artist Chris de Burgh.

The recording was actually made by a group called the Ron David Orchestra.

Mr Wheatley, who is a non-executive director of Forte, British Steel, N.M. Rothschild and Legal & General, was unavailable for comment.

Mr Mark Frey, Tring's joint chief executive, said all the complaints were being investigated and the company's policy was to withdraw the music concerned from sale. He said Tring had always paid royalties to companies it believed held copyrights.

He said that the actions would not have a material effect on Tring's profits, which were £3.3m pre-tax last year; nor would it affect the planned flotation, which he expects to value the company at £45m.

He said the company, whose CDs usually sell for £2.99, had about 800 titles in its catalogue. The legal actions affected only a small proportion of those.

He added: "Litigation on copyright is an ongoing thing. Every company in this business is involved in litigation."

Record groups that have served writs on Tring include PolyGram, EMI Records and MCA. MCA alleges Tring has sold unauthorised recordings from the musical Chess. Mr Frey said Tring was in dispute with MCA over who owned the copyright. Chris de Burgh is also suing the company, as is A&M Records, part of PolyGram. Chris de Burgh says in his writ that Tring has sold CDs and tapes with covers containing his name in large letters along with the words "The Lady in Red", one of his works.

He said that at the top of the cover were the words, in extremely small print: "The Instrumental Hits of".

Mr Frey said the recording had been withdrawn and reissued to make clear that Chris de Burgh did not appear on it.

Island Records, also part of PolyGram, alleges that Tring sold unauthorised recordings of Bob Marley and Cat Stevens. Mr Frey said he was confident Tring held proper title to the Bob Marley recordings and that he was counter-suing Island. He said Tring would defend its right to the Cat Stevens recordings, but those had been withdrawn from sale. The company had withdrawn its Olivia Newton John recordings from sale. EMI is suing Tring over the recordings.

Scepticism on Emu target

Continued from Page 1

out the possibility that all EC countries will move to a single currency by 2000.

Among the 400 banks and institutions surveyed, 86 per cent thought this goal was unlikely. A total of 50 per cent termed as improbable the less ambitious objective of full participation by all EC currencies in the "narrow band" of the exchange rate mechanism. Underlying how banks intend to shift towards more sophisticated activities, profits growth is seen highest in areas like derivatives, insurance and bond and equity trading.

In contrast to EC hopes of smaller financial market fluctuations in coming years, banks in Germany, Spain, Austria, Norway and Luxembourg expect greater exchange rate volatility within the EC.

European banking and capital markets, by Arthur Andersen Consultants. From Economist Intelligence Unit, 40 Duke Street, London W1A 1DW. £195

THE LEX COLUMN

The grocers' bun fight

J. Sainsbury's price offensive threatens to turn the food retailers' stock market retreat into a rout. The company has footled around before with price-cutting campaigns, but there is little doubt this is the real thing. By chopping the prices of 300 own-label lines for the forseeable future, Sainsbury's is sacrificing gross margin without much clue whether this can be recovered in higher sales. There is now no knowing where this downward spiral in the industry's margins will end.

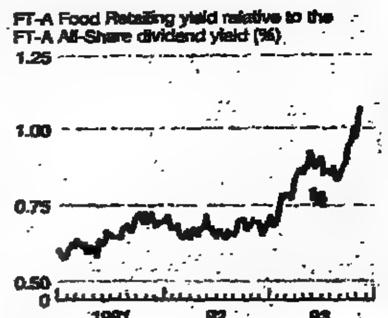
The move will undoubtedly strengthen Sainsbury's position as market leader. It re-emphasises Sainsbury's high quality brand, which represents its most important competitive advantage. Moreover, the move is adroitly timed – just before Christmas – and will tie up additional own-label manufacturing capacity, making it hard for rivals to respond. Weaker competitors will either suffer intense margin pain or lose sales.

Sainsbury's aggression, though, may only ensure it emerges as the least bad loser. With much of its £2bn rights issue proceeds left to play with, the industry is now in danger of wrecking its returns by ploughing on with self-defeating expansion plans. With the sector trading on a historic multiple of 12, the market already considers the grocers incapable of sustaining much earnings growth. They might be doing shareholders a favour by accepting that reality, halting their development programmes, running their stores for cash and slashing their generous dividend cover. By giving them low multiples and high yields, the market seems increasingly to view grocers as utility stocks. Perhaps it is time they took the hint.

FT-SE Index: 3162.3 (-1.8)

UK Grocers

FT-A Food Retailing yield relative to the FT-A All-Share dividend yield (%)



Source: Datastream

Siebe

Siebe appears to have struck it lucky with Eckardt. Its German acquisition is a good fit with Foxboro and will enhance its position in the European controls market. Moreover, a price of only 92 per cent of turnover looks an extraordinary bargain, despite Eckardt's small loss last year. Both its cost base and its depreciation rate must look unnaturally high to Siebe, so there is plenty of room for margin enhancement, even if some of it is cosmetic. Yet for all this, the acquisition is not exactly a quantum leap. Eckardt's turnover was less than 6 per cent of Siebe's last year.

The suspicion that Siebe has more acquisitions in mind is increased by the fact that its rights issue is raising £72m more than it needs and that the excess will be kept in cash rather than used to pay down debts. It may simply be a question of in-fill acquisitions, but Siebe will have to watch its use of provisions if this is its chosen route to growth. And it probably requires something more substantial to generate the critical mass needed to confront the likes of Honeywell.

That is why Eckardt could be useful in another way. Since its German owners account in a particularly conservative way, Siebe may be able to write up its stated DM29m (£11.70m) net assets considerably once they are absorbed into its balance sheet. Presumably it will also follow its controversial practice of adding intangible assets as well. Siebe's gearing would then fall well below the 39 per cent it forecast yesterday. It could then swallow a pretty large morsel without tapping shareholders for more.

BAT Industries

The US cigarette price war is starting to take a perceptible toll on BAT which suffered a 26 per cent fall in overall tobacco profits in the third quarter. While the drop was broadly in line with expectations, considerable uncertainty still clouds the outlook. There is unlikely to be a new year price rise in the US, so retailers are unlikely to build up much by way of stocks in the current quarter. That could lead to a profits shortfall larger than the £75m already seen in the first half. With the prospect of a federal excise tax of up to 75 cents a pack from next October, the chances of price recovery in the US look slim in 1994. Meanwhile, the German market is under pressure, partly as a result of smuggled imports from Poland, and Latin America is no longer showing its customary growth.

Since tobacco earnings are unlikely to revive quickly, the recent rally in the shares may have already discounted much of the recovery in financial services. The tax rate will be higher next year, too, as the effect of the enhanced scrip dividend falls away. At least BAT is now making good profits in the UK, which allows it to be generous on the dividend front without incurring fresh ACT problems.

Marks and Spencer

Virtue would seem to have found its reward since Marks and Spencer announced its full-year figures in May. Having been criticised through the recession for static sales, Marks' Outstanding Value campaign delivered growth last year. The knockers then lighted on the company's annual pay award, despite assurances that productivity gains would offset the costs. This they duly did with staff numbers falling by 4 per cent during the last six months despite the new store opening programme. While it is true that the wage award only cut in half way through the current period, the cost base is still under control. The shares have justifiably done well.

Fears now centre on Marks' food business since live ammunition is being fired in the supermarket price war. Clearly M&S cannot defy gravity. Yet it has a small, if profitable, niche which does not overlap strongly with the majority of the grocers' business. It makes little sense for the supermarkets to attack it, and if they did Marks' lower cost base and focus would prove good defences. Besides, entering the market would not be easy as much of the specialist food manufacturing capacity is already tied up by M&S.

Cost control, further benefits from high spending on information technology and the sales drive should keep earnings bubbling. M&S is well positioned to benefit from the much-touted virtuous circle of lower costs, lower margins and rising volumes. Even if the company's cautious view of 1994 proves correct, dividend growth prospects justify a premium rating. And since the shares are still towards the lower end of their historical rating range, sceptics have a tough case to make.

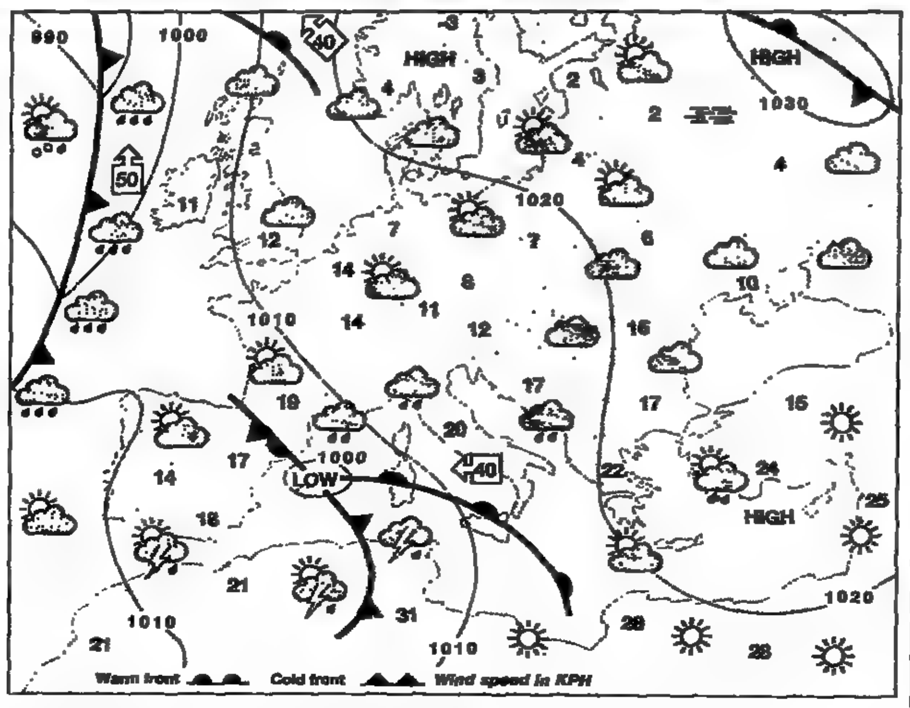
FT WORLD WEATHER

Europe today

Heavy showers will continue over southern France, Corsica and central Italy. Showers are also expected over eastern Spain, with thunder in some areas. Over the Low Countries, Germany and northern France, morning fog patches will give way to sunny periods this afternoon. It will be rainy in western Ireland. England and Wales will enjoy sunny periods but Scotland will be cloudy. A high pressure area will bring calm conditions to Scandinavia and eastern Europe. There will be persistent fog over some areas of Scandinavia. The Balkan states will enjoy sunny spells apart from a few isolated showers, while it will be sunny in Poland.

Five-day forecast

Southern France, Corsica and Italy will continue to be showery. A long frontal zone will bring outbreaks of rain from Ireland and Scotland to Portugal. North-west Europe will experience a mixture of clouds and sun. A series of low pressure areas will push showers further into western and central Europe this weekend. Heavy showers are also expected over former Yugoslavia. Central and northern Scandinavia will have severe frost at night and light frost during the day with the exception of coastal areas.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	34
Accra	fair	32
Algiers	shower	19
Amsterdam	cloudy	12
Athens	fair	22
B. Aires	fair	30
B.ham	cloudy	11
Bangkok	fair	31
Barcelona	shower	18
Beijing	fair	16
Belfast	cloudy	11
Belgrade	cloudy	17
Berlin	cloudy	7
Bermuda	shower	26
Bogota	shower	19
Bombay	sun	34
Brussels	fair	16
Budapest	cloudy	12
C.hagen	cloudy	6
Cairo	sun	27
Cape Town	fair	22
Caracas	cloudy	29
Cardiff	fair	11
Chicago	shower	13
Cologne	fair	15
D' Salaam	fair	30
Dakar	sun	29
Dallas	fair	25
Delhi	sun	30
Dubai	sun	34
Dublin	cloudy	11
Dubrovnik	thund	20
Edinburgh	cloudy	9
Faro	fair	19
Frankfurt	fair	12
Geneva	fair	14
Gibraltar	shower	17
Glasgow	cloudy	10
Hamburg	cloudy	7
Helsinki	cloudy	1
Hong Kong	cloudy	26
Honolulu	shower	30
Istanbul	fair	17
Jersey	fair	12
Karachi	sun	34
Kuwait	fair	31
L. Angeles	sun	26
Las Palmas	sun	23
Lima	cloudy	22
Lisbon	fair	16
London	fair	12
Lux.bourg	fair	13
Lyon	fair	16
Madeira	shower	21
Madrid	fair	14
Majorca	thund	20
Malta	fair	27
Manchester	cloudy	10
Manila	cloudy	33
Melbourne	shower	16
Mexico City	fair	21
Miami	fair	28
Milan	fair	13
Montreal	fair	8
Moscow	fair	1
Munich	fair	11
Nairobi	shower	26
Naples	thund	22
Nassau	fair	26
New York	fair	15
Nice	shower	17
Nicosia	sun	23
Oslo	cloudy	4
Paris	fair	16
Perth	fair	30
Prague	fair	9
Rangoon	sun	34
Reykjavik	rain	8
Rio	shower	24
Riyadh	fair	33
Rome	shower	22
S. Frsco	sun	24
Seoul	fair	19
Singapore	cloudy	31
Stockholm	cloudy	3
Strasbourg	fair	11
Sydney	fair	20
Tangier	thund	18
Tel Aviv	sun	26
Tokyo	fair	18
Toronto	rain	6
Tunis	fair	28
Vancouver	cloudy	9
Venice	fair	15
Vienna	cloudy	9
Warsaw	fair	7
Washington	fair	16
Wellington	fair	11
Winnipeg	snow	-2
Zurich	fair	12

FINANCIAL TIMES
COMPANIES & MARKETS
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Thursday November 4 1993

INSIDE

France may reassure Volvo shareholders

The French government may give a clearer timetable for the privatisation of a merged Renault-Volvo group as part of its attempts to reassure Volvo shareholders. Page 16

SBC ahead of last year

Swiss Bank Corporation, the country's third-largest bank, said operating income in the first nine months of 1993 was "substantially ahead" of that in the same period last year. No figures were given. Page 16

Snapple seeps on to shelves

A company with operating income growth of 230 per cent on revenue growth of 130 per cent should expect to hit the headlines. But Snapple has seeped into the American consciousness and on to store shelves. Page 18

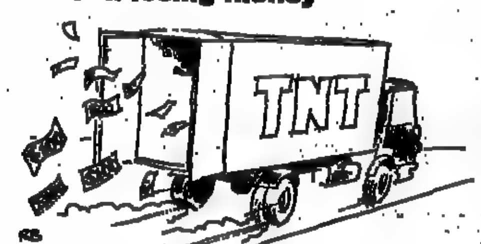
IBM launches Simon

International Business Machines is making its first foray into the nascent market for hand-held computer/communicator devices with the introduction of Simon, a hand-held cellular telephone-cum-computer. Page 17

Stock going cheap in India

Indian entrepreneurs are protesting at the sight of foreign multinationals buying stock in their Indian subsidiaries at a fraction of the market price. Indian business families would also like to increase their holdings on the cheap. Page 19

TNT still losing money



TNT, the troubled Australian transportation group, yesterday incurred a loss of A$33.2m (US$21.40m) in the quarter, from a A$65.1m deficit in the same period last time. Page 19

UK TV group likely to report loss

Yorkshire-Tyne Tees Television, the UK ITV contractor, warned yesterday that it was likely to report a loss for the year to the end of September. The formal announcement, which led to a 4p drop in the share price to 172p confirmed persistent talk that advertising revenue would be lower than expected. Page 21

Property group in cash call

Scottish Metropolitan Property, the UK property investment company which incurred a heavy loss in 1991 and fired its managing director, is to raise £26.8m through a rights issue. Page 23

Price of pizza rises

A price of 200p a share was fixed yesterday for the flotation of Canadian Pizza valuing the UK pizza crust maker at £34.5m, almost £5m more than estimated in October but £10m less than indicated by the company's advisers in September. Page 25

Rhino buys Virgin Games

Rhino Group, the UK computer and video games retailer, is buying Virgin Games Stores, the joint venture UK retailer owned by Richard Branson's Virgin Group and WH Smith. Page 24

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				Snapple Bev	25	+	2
Rises				**Falls**			
Bil & Berger	942	+	25	Citicorp	35⅝	–	⅝
Hochtief	1123	+	37	Pacific Telesis	55⅝	–	3⅝
Holzmann Ph	887	+	38	**PARIS (FFr)**			
Porsche	663	+	18	**Rises**			
Rheinelektra	1184	+	59	Essilor Int	860	+	17
Falls				Peugeot	689	+	23
Goldschmidt TH	675	–	22	Schneider	370	+	11.1
NEW YORK ($)				Skis Rossignol	1897	+	108
Rises				**Falls**			
Bristol Myers	60⅜	+	1½	Docks de France	674	–	18
Liberty Natl	29¾	+	1¾	SLIC	810	–	37
Pfizer	64½	+	2⅛				

Tokyo closed. New York prices at 12.30pm.

LONDON (Pence)				Vega	183	+	14
Rises				**Falls**			
Anglex	70	+	5	Argyll	274	–	18
Burndene Invs	53	+	4	Blagden Inds	138	–	28
Carr's Milling	143	+	9	Forward Group	206	–	17
Havelock Euro	118	+	8	Gleves	57	–	8
Honeysuckle	75	+	6	Haemocell	105	–	5
Indep News	425	+	20	London Intl	151	–	13
Jerome (S)	73	+	5	Rexmore	74	–	8
Lincoln House	29½	+	7	Scottish & Met	95	–	9
Olives Prop	44	+	3				
Shorco	88	+	4				
Sterling Inds	172	+	8				

MAN warns profits may fall further

By Christopher Parkes in Frankfurt

PROFITS at MAN, the German commercial vehicles and heavy engineering group, may have further to fall, following a 45 per cent slump in the year to the end of June, Mr Klaus Götte, chairman, warned yesterday.

Although incoming orders rose 12 per cent to DM3.7bn ($2.2bn) in the first quarter of 1993-94, all the growth came from outside Germany. Foreign orders were up 21 per cent at DM2.3bn, but he pointed out that while domestic demand was unchanged from a year earlier, sales had fallen 12 per cent to DM3.2bn.

The group expected turnover for the full year to fall slightly to DM18.3bn, compared with DM19bn, while the effect of the fall in earnings would be moderated by the shedding of a further 2,000 to 3,000 jobs, according to Mr Götte.

Warning that he did not expect any improvement in domestic demand before mid-1994, he seemed sceptical of a recent report from Germany's six leading economic institutes forecasting 1.5 per cent economic growth next year.

The MAN board could only hope they were right, Mr Götte said, pointing out that investment goods makers were also hoping for relief through lower interest rates and modest pay deals.

There were good prospects that MAN Nutzfahrzeuge, the trucks and buses division, and mainstay of the whole group, would remain in the black in the current year after last time's slump from DM506m pre-tax to DM61m.

MAN Roland, the printing machinery business which incurred a loss of DM220m last year, and has already forecast another deficit in 1993-94, had been restructured and was well placed to return quickly to profits once markets improved.

Global demand for printing equipment had almost halved since the winter of 1991-92, Mr Götte said.

Reviewing the last financial year, he commented on growing sales in Asia, which accounted for 20 per cent of exports. Diesel motors, printing machines and plant construction services had done especially well.

Daimler Benz's losses deepen in first nine months, Page 16

■ Dramatic turnround from big loss likely to aid privatisation

Nordbanken in the black

By Christopher Brown-Humes in Stockholm

NORDBANKEN, the Swedish state-owned bank, showed the benefits of financial restructuring and lower interest rates yesterday when it disclosed a SKr2.5bn ($315m) profit for the first nine months.

The performance should assist the government's plans to return the bank to the private sector as soon as possible.

The result is a dramatic turnround on the SKr10.1bn loss which the group recorded in the same 1992 period when it was burdened by credit losses due to the collapsing property market.

The improvement makes it Sweden's most profitable bank, in terms of operating profit, and will add to concern that the bank, the biggest casualty of the country's financial sector crisis, had over-generous assistance from the state.

It is expecting a full-year surplus of at least SKr3.2bn, compared with the record SKr16bn deficit which it struck in 1992.

The fact that SKr67bn of the bank's problem loans were hived off into a "bad bank" entity called Securum at the start of the year is the main reason for its rapid return to profit. But it has also benefited from cost-cutting and substantial capital gains on its bond portfolio in a lower interest-rate environment.

Loan losses shrank to SKr3.4bn in the January-September period from SKr12.3bn last time round. Non-performing loans at SKr11.7bn are still SKr600m higher than they were at the year end, if Securum is excluded.

Total operating income rose to SKr10.8bn from SKr7.1bn. This was after net interest income climbed to SKr6.8bn from SKr5.2bn, and bond portfolio gains saw "other income" rise to nearly SKr2.0bn from SKr473m. A 1 per cent fall in costs to SKr4.9bn left the group with a profit before loan losses of SKr5.9bn, compared with SKr2.2bn in 1992.

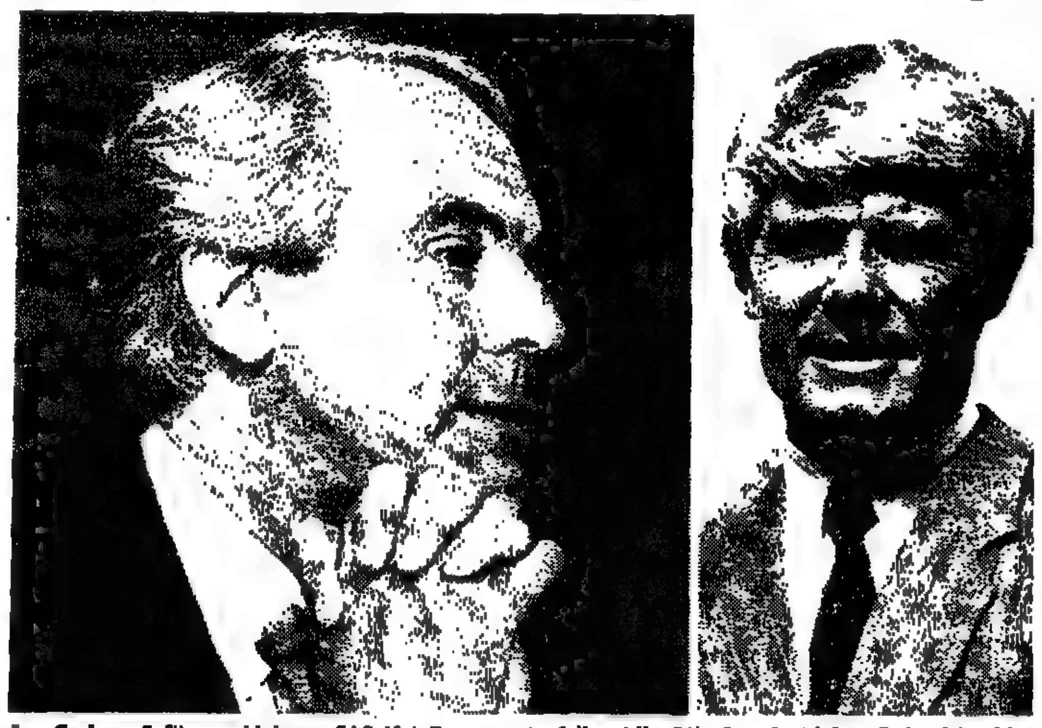
The bank said loan demand from both companies and households remained weak. Its share for loans to companies has fallen to less than 16 per cent from more than 19 per cent following the sale of Securum, but its share of consumer lending has risen slightly to exceed 11 per cent.

A SKr1.3bn perpetual debentures issue helped raise the bank's capital adequacy ratio to 10.4 per cent at the end of September from 8.9 per cent at the year end.

Nordbanken expects final-quarter operating profits to be at least as large as the SKr743m level achieved in the third quarter. Mr Hans Dalborg, chief executive, said: "The trend towards lower interest rates has been beneficial to the bank's borrowers as well as to the bank's earning capacity. It creates prerequisites for a continued stabilisation of market conditions."

Paul Betts explains the last stages of the European airline merger

Alcazar hangs on choice of American partner



Jan Carlzon (left), would leave SAS if talks were to fail, while Otto Loepfe (right), Swissair's chief executive, said a breakthrough could be achieved this week.

MERGER negotiations between Swissair, KLM Royal Dutch Airlines, Scandinavian Airlines System (SAS), and Austrian Airlines are expected to enter a decisive stage this weekend.

Although no deadline has been set, the four carriers are hoping to resolve the last significant issue threatening their four airline co-operation project called Alcazar. This involves the choice of a US airline partner for the Alcazar group.

Mr Otto Loepfe, Swissair's chief executive, yesterday said a breakthrough could be achieved during talks in Stockholm at the end of this week.

However, Mr Jan Carlzon, the former SAS president who stepped down last month to devote all his efforts to the Alcazar project, also warned yesterday he would leave SAS if the co-operation talks were to fail, in remarks clearly designed to accelerate negotiations.

Mr Carlzon said the choice of a US airline partner was "the only real large question that can still endanger Alcazar".

The problem has been made all the more difficult because three of the European carriers already have close links with different US airlines: KLM with Northwest Airlines, Swissair with Delta Air Lines, and SAS with Continental Airlines.

But sources close to the negotiations said yesterday it would be "tragic" if the US airline issue were to lead to a collapse of the proposed partnership to form a fourth airline force in Europe, designed to compete against the big three carriers – British Airways, Lufthansa of Germany and Air France.

They emphasised that the Alcazar airlines had reached broad agreement on several difficult issues including the valuation of assets, headquarter location for the new joint company and the constitution of a joint management structure.

The four carriers have also identified more than $1bn in synergy benefits. Co-operation in European operations is understood to account for most of the gains with the US partner only playing a relatively minor role, according to sources close to the Alcazar partnership.

Although the four airlines claimed there was no specific deadline to reach an agreement, they all privately agree that the talks cannot drag on indefinitely.

"The weekend talks are likely to be determinative. The question is how long can you spend evaluating just one last issue," explained one source familiar with the negotiations.

Another airline official conceded that the four carriers had perhaps underestimated the complexity of negotiating the four-airline alliance six months ago.

"After all, there has never been a transaction like this one negotiated in Europe before, involving six governments [the Netherlands, Switzerland, Austria, Sweden, Denmark and Norway], and six quoted companies, since SAS is quoted separately in the three Scandinavian countries," he said.

World stock markets, Back Page

BAT lifts profits by 24% to £1.36bn

By Philip Rawstorne and Richard Lapper in London

BAT Industries increased pre-tax profits by 24 per cent to £1.36bn ($2.05bn) for the nine months to September 30. Recovery in the British group's financial services more than offset the growing impact of the US cigarette price war on tobacco profits.

Brown & Williamson, the US tobacco subsidiary, reported a 70 per cent fall in profits during the third quarter as retailers and wholesalers reduced or suspended orders until lower prices took effect. B & W's profits for the nine months were 50 per cent lower than in the same period last year.

Mr Martin Broughton, chief executive, said US cigarette prices were now more stable. The price gap between premium cigarettes and economy brands had been cut from $8 to $4 a carton.

With the prospect of a sharp rise in federal tax in October next year, Mr Broughton said manufacturers' price increases could not be ruled out "in the not too distant future". He also launched a sharp attack on US legislation requiring cigarette manufacturers to use 75 per cent US-grown tobacco in their products, calling it "a flagrant breach of Gatt rules".

BAT's overall tobacco profits rose from £877m to £889m, but declined 14 per cent if a £135m gain from an exchange of cigarette brands with American Brands, the US tobacco and drinks group, is excluded.

Operations in Germany suffered from recession and increased smuggling, particularly from Poland, but cigarette exports from the UK continued to increase and higher profit contributions came from Australia, Canada, and most African and Asian markets.

Profits from the "continuing" financial services operations increased by £203m to £593m, with profits from the group's life companies growing by 13 per cent to £229m.

Total underwriting losses on "continued" business at Eagle Star fell to £100m (loss of £244m). Both personal and commercial business lines in the UK showed substantial improvement in underwriting results.

Allied Dunbar's contribution to trading profit increased by 17 per cent to £109m, while the contribution of Farmers grew by 8 per cent to £328m.

London Stock Exchange, Page 27; Lex, Page 14

Sainsbury starts UK price war as it seeks high volume

By Neil Buckley in London

BRITAIN'S biggest food retailer J Sainsbury yesterday launched a supermarket price war as it revealed it was indefinitely cutting the price of 300 of its most popular own-label products – accounting for 10 per cent of its sales.

The move is the most important evidence yet of a shift in UK retailing away from concentration on profit margins and towards offering lower prices to drive volumes higher.

Shares in the food retailing sector were sharply lower, with brokers fearing escalating price competition would hit profits. Sainsbury itself fell 15p to 385p, Argyll, owner of Safeway, fell 18p to 274p, Tesco was down 4½p at 195, and Asda fell 2½p to 50¼p. Kwik Save, the leading discount chain, also fell 18p to 620p.

Mr Bill Currie, analyst at BZW, who predicted Sainsbury's move last week, said the scope of the price cuts was bigger than expected. "I think we are now in a price war," he said. "This turns the screw in a big way on the competition. They can either respond by cutting prices or they can lose sales."

Mr David Sainsbury, chairman, stressed the move marked a long-term repositioning on price. "It is more than just something we do for a three-month period. It will set the pattern for our future position in the market."

He said other leading food retailers had responded to mounting competition from discount chains such as Germany's Aldi, Denmark's Netto and the UK's Kwik Save and Shoprite, by focusing on price at the expense of quality. "This provides us with a significant opportunity," he said. "Our response will be to press home our advantage by improving both price competitiveness and quality."

Mr Sainsbury said the impact on profits would depend on how much sales increased.

TV and press advertisements with the slogan "Sainsbury's – Essential for the Essentials" have been running since Sunday – a departure from the previous campaign featuring celebrities' recipes. But the extent of the price cuts became apparent only yesterday, as Sainsbury announced record interim profits of £434m.

The move comes a week after the UK's three biggest supermarket chains failed in a High Court battle to block the opening of the country's first warehouse club by US company Costco.

Lex, Page 14; London SE, Page 27; Background, Page 16; Results, Page 23

Marks and Spencer at record

By Neil Buckley in London

ON THE day J Sainsbury said it was reducing prices on key lines, fellow UK retailer Marks and Spencer claimed success for its own strategy of trimming gross margins and sharpening prices, as it announced a 21 per cent increase in interim profits.

Taxable profits were a record £307.8m ($464.8m), about £10m higher than the most optimistic forecasts. M&S shares improved 7p to 403p on the London Stock Exchange – in sharp contrast to shares in the food retailing sector – and several of its suppliers also enjoyed share price gains.

Sir Richard Greenbury, M&S chairman, said: "Over the last 12 months or so we have reduced margins to sharpen our prices. The result of that has been that as consumers came out of the trenches they started to spend more with us."

The company launched its "Outstanding Value" campaign a year ago, when it froze the prices of three-qrarters of its goods, and cut prices for the remaining 25 per cent.

Sir Richard was however sceptical about claims that UK retailing was seeing a fundamental shift away from focusing on margins towards a volume-led approach more akin to that in the US.

Group sales at M&S were up nearly 9 per cent to £2.87bn. Sales in the UK and Republic of Ireland were up nearly 7 per cent to £2.40bn, with operating profits 23 per cent ahead at £295.9m.

Turnover in continental Europe increased from £97m to £106.5m. But while operating profits increased 42 per cent to £9.9m, the comparison was flattered by the devaluation of sterling and the inclusion of substantial store opening costs in last year's figures. Sir Richard said the economic outlook remained gloomy.

Sales and operating profits increased at both Brooks Bros and Kings Super Markets in the US, but sales fell and losses increased slightly in Canada.

A continued strong performance in east Asia contributed to a 29 per cent increase in total turnover for the rest of the world to £275.6m, with operating profits up from £6.1m to £8.7m.

The interim dividend was lifted from 2.2p to 2.5p, from earnings up 20.6 per cent to 7.6p.

Lex, Page 14; London SE, Page 27

SBC forecasts 20% climb in full-year net income

By Ian Rodger in Geneva

SWISS Bank Corporation (SBC), the country's third-largest bank, said operating income in the first nine months of 1993 was "substantially ahead" of that in the same period last year. No figures were given.

Mr Georges Blum, chief executive, said business continued to be strong in October. He anticipated a 20 per cent rise in net income in the full year against last year's SFr1.01bn ($673m), in spite of continuing high provisions for bad loans.

The forecast appears modest considering the bank doubled net income, to SFr719m, in the first half, and in comparison to the much higher growth rates anticipated at rivals Union Bank of Switzerland and Credit Suisse. However, SBC's full-year 1992 net income was boosted substantially by a SFr255m extraordinary profit on the sale of an Austrian electricity utility.

Mr Blum also announced a reorganisation of the bank's senior management and a restructuring of its Swiss branch network. Competition in Swiss retail banking has intensified since Credit Suisse acquired Swiss Volksbank last spring.

Mr Blum said SBC, which has been pushed into third place by the Credit Suisse deal, aimed to gain market share and to cut costs by about SFr100m a year through the restructuring.

SBC said the most important factor in its strong third-quarter performance was the buoyancy of international stock markets.

Consolidated revenues from financial and trading operations in the first three quarters more than doubled, due mainly to active securities trading and the rapidly-expanding volume of interest-rate derivatives.

On the other hand, revenues from foreign exchange trading dropped following the widening of the fluctuation margins within the European Monetary System in August.

Net commission income improved substantially, with strong growth in earnings from brokerage and syndications, as well as in administration and custodian fees. Net interest income remained disappointing.

Total assets of the parent company at the end of September stood at SFr175.9bn, 1.5 per cent lower than at the end of June. Loans outstanding dropped 2.9 per cent during the quarter to SFr102.8bn, but securities holdings jumped 23.3 per cent to SFr20.8bn.

Paris to consider Renault sale timetable

By John Ridding in Paris

THE FRENCH Government could give a clearer timetable for the privatisation of a merged Renault-Volvo group as part of its attempts to reassure Volvo shareholders opposed to the deal, government sources indicated yesterday.

This could involve the issue of a letter or a public statement about the timing of the privatisation, or the placing of Renault on the next list of companies to be sold-off as part of the French government's plans for 21 publicly-owned groups.

The four companies on the current list – Banque Nationale de Paris, Rhône Poulenc, Elf-Aquitaine and Banque Hervet – are expected to be sold by early next year. BNP has already been successfully privatised and Rhône Poulenc is due to be sold within the next few weeks.

Greater certainty about the timing of the privatisation of a combined Renault-Volvo group is one of the principal demands of Volvo shareholders opposed to the deal. Increased opposition to the merger from some Volvo investors has forced the company to postpone until next month a vote on the deal.

The French government has said it plans to privatise the combined group as quickly as possible, with a target date during the second half of next year.

It still maintains it is impossible to give a precise date for the privatisation because conditions in the automotive and financial markets must be taken into account. However, Renault's inclusion on the next list of privatisation candidates could help assuage shareholder fears. No decision has been taken on when the next list of privatisation candidates will be issued.

The second principal concern of rebel Volvo shareholders – the golden share to be retained by the French government after privatisation – is still described as non-negotiable by French officials and Renault.

Daimler-Benz shrugs off shortfall

By Christopher Parkes in Frankfurt

LOSSES at Daimler-Benz, the German automotive, aerospace and electrical engineering group, deepened to around DM2bn ($1.18bn) in the first nine months of this year.

The group, however, yesterday forecast a clear improvement in the closing quarter, and claimed the positive trend would continue into 1994.

The group attributed the expected progress to the "positive sales situation" for Mercedes-Benz cars, and the effects of this year's hefty provisions for restructuring and 44,000 job cuts.

The DM2bn loss, calculated according to US accounting rules adopted for Daimler's recent listing on the New York Stock Exchange, includes a charge of DM1.5bn. The first-half deficit, on the same basis, was DM949m.

Under German accounting standards, the group made a net loss of approximately DM180m in the first three quarters, after a DM168m profit at the halfway mark. Precise figures will be published on December 14, the company said.

Analysts, still digesting Tuesday's hints of a dividend cut from Daimler chairman, Mr Edzard Reuter, were puzzled by yesterday's figures and promises of improvement. However, most still assumed a group loss of around DM2bn for the full year.

Observers said the June introduction of the C-Class Mercedes car would bolster volume sales, but that its relatively low price – unchanged from its predecessor's – would do less for profits.

Overall demand in the European car market is not expected to pick up before mid-1994.

Meanwhile, rumblings of discontent over closures and job losses continued among the group's workers. A leading employee representative said yesterday the management of the Deutsche Aerospace (Dasa) subsidiary had chosen a "confrontation strategy". He demanded the scrapping of a plan to close six factories and other sites.

Mr Erwin Hilbrink, a member of the Dasa supervisory board, claimed the company had withdrawn an offer to discuss possible alternatives to the closures.

Mr Reuter's veiled suggestion of a dividend reduction, apparently made to demonstrate that shareholders should share some of the sacrifices demanded of the workforce, weighed down Daimler shares yesterday. The stock shed DM9 to close at DM743.

Akzo posts first rise this year

By Ronald van de Krol in Amsterdam

AKZO, the Dutch chemicals group, reported a small increase in third-quarter net profit before extraordinary items. It was the company's first quarterly rise posted so far in 1993.

Net profit before extraordinary items rose to Fl 169m ($89m) from Fl 162.1m a year earlier, on turnover up 3 per cent at Fl 4.1bn. The company is to pay an unchanged interim dividend of Fl 1.50.

Akzo took Fl 55m in extraordinary charges in the third quarter, mainly to pay for the recent spinning off of loss-making businesses into joint ventures with other companies. If extraordinary charges are included, net profit fell to Fl 113.9m from Fl 162.1m.

Mr Syb Bergsma, Akzo's finance director, said fourth-quarter net profit before extraordinary items was also expected to show a rise.

"We may have to show further extraordinary losses in the fourth quarter. If so, they will be lower than in the third quarter," he said.

He described third-quarter operating profit, which was steady at Fl 268m, as "not unsatisfactory", given current economic conditions.

Akzo's chemicals, coatings and pharmaceuticals businesses all posted increases in operating profit but the group's fibres business fell into an operating loss of Fl 32m from a profit of Fl 6m in the same quarter of 1992.

Mr Bergsma said Akzo had profited from economic revival in the US and from the rise of the dollar. In Europe, however, it saw no signs of recovery.

BHF-Bank ahead 14% to DM229m

By David Waller in Frankfurt

BHF-BANK said yesterday group operating profits rose by "a good 14 per cent" in the first nine months of the year, to DM229m ($135.5m). As is usual for German banks, the increase is calculated with reference to three-quarters of last year's profits.

Partial operating profits, which excludes profits from own-account trading, for the Frankfurt-based merchant bank rose 29 per cent while the group's total assets were up 17 per cent to DM55bn.

The bank attributed this to relatively strong asset expansion in subsidiaries operating in low-risk sectors. Group personnel and materials costs increased by only 7 per cent.

It is likely the results have benefited from healthy trading gains in the buoyant German equity and bund markets.

Restructure at FLS

FLS Industries, supplier of equipment to the cement-making industry, is being restructured. The move will increase group turnover by 18 per cent, writes Hilary Barnes in Copenhagen.

Aalborg Portland Holding, a building materials group, is to become a part of FLS. Turnover should rise by DKr2.2bn to DKr14.3bn ($2.09bn) on the basis of 1992 accounts.

Queens Moat row intensifies

By Andrew Jack in London

THE TWO firms of chartered surveyors under scrutiny for valuing Queens Moat Houses' assets at figures that differed by nearly £500m ($740m) used the same basis to prepare them, the company said yesterday.

Both Weatherall Green & Smith and Jones Lang Wootton compiled their valuations on an open market, willing seller basis, Mr Andrew Coppel, QMH's chief executive said yesterday.

Weatherall produced a final valuation of £1.35bn for the 1992 accounts. Within four months, Jones had submitted an alternative figure of £861m based on the same financial information.

The details will add to the controversy following the release of QMH's restated 1991 and 1992 figures, which has triggered an examination of the two firm's valuation certificates by the Royal Institution of Chartered Surveyors.

Mr Barry Clarke, RICS assistant secretary general, said a decision was expected "within days" from its assets valuation standards team.

QMH issued a statement yesterday and wrote a letter to RICS clarifying the position. It said Weatherall had prepared a 1991 valuation of £2bn and a draft valuation for 1992 of £1.86bn. The latter was presented to banks in April this year and did not taking into account the changed circumstances of the group.

At the board's request, Weatherall supplied a revised figure in May of £1.35bn, qualified because it was based on unaudited financial information. In June the board commissioned Jones to produce a new valuation. Its £861m figure was delivered in September and accepted by the board.

When asked whether the board was tempted to encourage the surveyors to produce a lower valuation figure, Mr Coppel replied: "Absolutely not. It would not have been in shareholders' interests to minimise the valuation."

It also emerged yesterday that Mr Donald Jackson, who used to work for Bird Luckin, QMH's former auditor, carried out tax work for the company after retiring.

Sainsbury unveils discount war and grocery slowdown

Guy de Jonquières on a strategy to address the City's doubts

J. SAINSBURY, Britain's largest supermarket chain, yesterday shook the food retailing sector by unveiling a two-pronged strategy to deal with what it admitted were big – and possibly long-lasting – changes in the country's grocery market.

The group's most dramatic step has been to lower the prices of 300 popular own-label lines, which account for about 10 per cent of turnover. In addition, it has signalled a shift in direction by admitting that its core UK grocery business will expand more slowly.

Some observers were surprised at the vigour of Sainsbury's price-cutting initiative. Its first-half sales and profits suggest it has been little affected by discount competition.

But Mr David Sainsbury, chairman, said an opportunity to expand own-label sales had been created by recent decisions by rival chains, such as Tesco, to switch marketing emphasis from quality to low prices. Sainsbury's move reflects growing confidence in the strength of its own brand and the quality of its own-label lines. These account for 57 per cent of its packaged grocery sales, the highest of any UK supermarket chain.

The shift of approach follows a reassessment of priorities in the year since Mr Sainsbury became chairman. His management style is more open and less autocratic than that of his predecessor, his cousin Lord Sainsbury.

He is also more ready to acknowledge doubts in the City about the prospects for grocery retailing. "Clearly there are worries about the sector," he said in an interview. "Anyone who said there was not an issue about discounters, about warehouse clubs, about how far development can go, would not be living in the real world."

Mr Sainsbury claimed to be unworried by the threat from US warehouse clubs, such as Costco, which last month defeated a legal attempt by Sainsbury's, Tesco and Argyll to prevent it opening outlets in Britain.

He said warehouse clubs relied on a "fragile" trading formula, and Sainsbury's had learned much about competing with them from Shaw's, its US supermarket chain.

Irrespective of conditions in the UK market, Mr Sainsbury said "the logic of the business" would drive Sainsbury's to become more international in the next five years, with a strong emphasis on expansion in the US. As much as 20 per cent of group turnover could come from overseas by the decade's end, compared with 11 per cent last year.

Its experience with Shaw's had convinced Sainsbury's that it could successfully transfer its expertise abroad. Mr Sainsbury said the group would prefer to grow organically, rather than by acquisition, and to expand into markets contiguous with Shaw's base in New England.

Pacific Telesis spin-off plan wins approval

By Martin Dickson in New York

PACIFIC Telesis, the California-based local telephone company, has won regulatory approval for its unusual and controversial plan to spin off its mobile communications business into a separately quoted company.

The go-ahead from the California Public Utilities Commission, which oversees the industry, ended a dispute which had delayed the spin-off.

The commission's public advocacy office had demanded that Pacific Telesis refund $1bn to its telephone operating companies for research into cellular technology supposedly paid for out of telephone rates. In the end, the commission insisted the company pay just $41.3m.

Pacific Telesis announced plans for the spin-off last December. The wireless business, to be known as Pactel, involves the group's US cellular telephone and paging businesses and its international mobile operations, which include ventures in Germany, Sweden, Portugal and Spain.

The group plans to sell 12 per cent of Pactel in a public offering which could raise up to $1.2bn and will be completed by mid-December. It will distribute the remaining 88 per cent of the stock to existing investors.

Pacific Telesis, one of the seven Baby Bell regional telephone companies, has a strategy very different from most of the other big local operators as they prepare for the convergence of the telecommunications, computer and media industries.

Its rivals are keeping all their operations under one corporate parent and snapping up interests in cable TV companies and programme providers.

Pacific Telesis, with no significant television investments, argues that the spin-off will allow Pactel to take greater advantage of worldwide wireless growth, since it will free it from much of the regulatory oversight of its traditional telephone business.

At the same time, the split will enable Pacific Telesis to play a larger role in personal communications services, a new kind of mobile telephony.

The Federal Communications Commission, which oversees the US national telecommunications industry and is due to auction PCS licences next year, has limited the size of the licences existing cellular carriers can bid for. The split will free Pacific Telesis of these restrictions.

IBM makes foray into hand-held devices

By Louise Kehoe in San Francisco

INTERNATIONAL Business Machines is making its first foray into the nascent market for hand-held computer/communicator devices with the introduction of Simon, a hand-held cellular telephone-cum-computer.

The device is to be sold in the US by BellSouth Cellular, one of the leading US cellular telephone service providers.

Simon weighs just over a pound and looks much like an ordinary cellular telephone, with a touch-sensitive display instead of the usual dial pad.

However, unlike earlier "personal digital assistants", such as Apple's Newton, Simon is primarily a communications device.

Its functions include: facsimile, paging, electronic mail, calendar and appointments diary, address book, calculator and pen-based note pad, as well as cellular telephone.

Unlike Apple's Newton, which deciphers handwritten notes and turns them into text, Simon stores the image of a written note and sends it via the cellular network to a facsimile machine.

Danish sell-off confronts two obstacles

Hilary Barnes examines the politically troublesome privatisation of Tele Danmark

THE privatisation of Tele Danmark, the state-controlled monopoly telecommunications group, is proving politically troublesome and there are still no assurances it will go ahead successfully.

The privatisation is due to begin in the first half of next year with the government aiming to reduce the state shareholding from 93.7 per cent to 51 per cent. The sale, open to both Danish and international investors, could raise between DKr2.5bn ($369m) to DKr3bn.

Tele Danmark is a relatively new concern. It was created by merging three regional phone companies, Copenhagen Telephone, Jutland Telephone and Funen Telephone, with the state's telephone service, which controlled international communications traffic.

The result of the merger is a group with a turnover of DKr15.6bn for 1992, pre-tax profits of DKr1.36bn, assets of DKr27.1bn and equity capital of DKr7.3bn.

At the end of 1992 it employed 17,300, but rationalisation is bringing about a steady reduction in payroll.

The regional phone companies enjoyed regional monopolies, but competed fiercely with each. An OECD study in 1990 found that both in terms of price to subscribers and quality of service Denmark was surpassed only by Iceland.

Subsequent OECD comparative reports show Denmark may have slipped back a little on price to subscribers, but charges nevertheless remain among the lowest in Europe.

Legislation for the sell-off is due to be presented to the Danish parliament before Christmas. There are, however, two potential obstacles to the sale.

The first is a European Commission investigation into the terms of the proposed sell-off. There is a suspicion that the the way the privatisation is being structured – with the company effectively buying shares below market value and then selling them at a substantial profit – involves a hidden state subsidy.

Mr Jorgen Stig Andersen, the civil servant at the Communications Ministry in charge of the telecommunications sector, says he believes that the Commission is satisfied with the answers the government has given and that the Commission will shortly give the green light to the privatisation.

How will international investors will regard the company? The published equity capital gives the company an equity-to-assets ratio of 27 per cent. But its balance sheet does not include pension liabilities of DKr8bn. This is "a bomb under Tele Danmark," says Copenhagen-based American financial adviser, Mr Todd Johnson.

Under US accounting law, Mr Johnson points out, pension liabilities must be included in the balance sheet. If this were applied to the Tele Danmark balance sheet the company's equity capital would be negative, he says.

Although Denmark's regional telephone companies have been long dominated by the state, they include some private shareholders, some of whom have bought in recent years in the hope of making a profit on Tele Danmark's move into the private sector.

Their continued presence among Tele Danmark's shareholders has proved a thorny problem for politicians.

Earlier plans to privatise the group came to nothing because the government wished to retain a right in perpetuity to redeem the privately held shares at 125 per cent of par and to impose a dividend ceiling of 10 per cent.

The proposals were not satisfactory for Tele Danmark, because on these terms it would not have been able to raise the capital it urgently needs to improve its financial position.

In their place the government, deeply imbued with socialist principles, has come up with a complex scheme. This aims to provide Tele Danmark with new capital and at the same time stop existing private shareholders from profiting from the flotation.

Tele Danmark is to buy the the 42.7 per cent stake the government is putting up for sale along with the privately-held shares in the company. It will redeem them at DKr170 per share, the market price of Tele Danmark on June 14 this year.

The company will then write down its share capital by the value of the shares purchased and a new class of shares will be issued for the same nominal value as the value of the shares written down. The new shares will be classed as B shares.

The B shares will then be sold to the public. But by effectively buying the shares for DKr170 and then selling then for DKr500 or more apiece, it has clearly opened the company to accusations of state financial assistance.

The EC Commission's verdict is eagerly awaited on all sides.

This is the fourth in a series on the privatisation of Europe's state telecommunications operators. Earlier articles appeared on October 11, 26 and 28. The next article in the series will appear on November 10.

TELE DANMARK (DKr bn)

	1992	1991
Net turnover	15.58	15.26
Profit before financial items	2.05	1.83
Pre-tax profit	1.36	1.15
Net profit	0.01	0.64
Assets	27.10	27.65
Equity capital	7.32	6.50
Share capital	1.31	1.16
Investment	2.65	2.81
Workforce	17,300	18,077

Nova turns in strong result at nine months

By Robert Gibbens in Montreal

NOVA, western Canada's most conspicuous corporate turnround of the recession, reported a strong result for the first nine months of 1993.

The company said capital spending would rise substantially to handle growing demand for capacity in its natural gas pipeline system.

Nova, which is concentrating on building its core pipeline and petrochemical businesses after a brush with failure two years ago, has put its Novalta Resources gas production unit out to tender.

It expects firm bids later this month. Analysts value the unit at C$200m or more.

Nine-month net profit was C$159m (US$121m), or 37 cents a share, up 43 per cent from C$111m, or 27 cents a share, a year earlier, on revenues of C$2.4bn, an increase of 9 per cent.

Third-quarter profit was C$45m, or 10 cents, down 4 per cent from C$47m, or 11 cents, on revenues of C$828m, up 10 per cent. The decline was due to a lower regulated rate of return on pipeline operations.

Banc One to acquire Liberty National

By Richard Waters in New York

BANC ONE, one of the US's most ambitious regional banking groups, is to acquire Liberty National of Kentucky in an all-stock deal which yesterday was worth $785m.

The takeover would strengthen the group's presence in northern and western Kentucky and southern Indiana, where Liberty National has 94 offices.

It also marks the growing pace of consolidation in the US banking industry, which has seen regional banking groups move to strengthen their presence in state banking markets.

Banc One's shares fell $1⅞ on yesterday's news, to $36⅛, on fears that the deal would dilute earnings. The shares later recovered to $36⅝, though they were still trading at a low for the year.

Liberty National had assets of $4.7bn at the end of September, compared with $76.5bn at Banc One, which numbers among the US's top 10 banking groups.

Banc One has assets of $1.7bn in Kentucky, and claims a dominant market share in Lexington, the state capital. Liberty National maintain it has a 40 per cent market share in Louisville, on the border with Indiana.

"Combined, these two affiliates will become the largest banking company in Kentucky and will be the only one serving all the major markets," said Mr John McCoy, chairman and chief executive of Banc One.

Shareholders in Liberty National will receive 0.8421 of a share in Banc One for each share held, putting the deal at $785m at yesterday's share price. If the Banc One share price rises above $41.57 during a set period, they will receive stock worth $35, putting the value of the deal at $890m.

Molson edges ahead in second quarter

By Bob Gibbens in Montreal

MOLSON, the international brewing, special chemicals and hardware retailing group, saw profits edge ahead in the second quarter. The group saw its domestic market share slip as a result of aggressive pricing in the discount beer sector.

The group's first half results were flat.

It said, however, that Molson Breweries remained the market leader in Canada and was fighting back with new products and expansion in the US.

Profit for the September quarter was C$37.2m (US$28.5m), or 63 cents a share, against C$36.4m, or 60 cents, a year earlier on revenues which fell to C$769m from C$811m.

First half profit was C$74m, or C$1.25, against C$74.8m, or C$1.26, on revenues which slipped to C$1.54bn from C$1.6bn.

Total domestic beer sales rose just under 1 per cent in the first half, but Molson's market share slipped to 48.6 per cent from 50 per cent.

The company retaliated with new low-price plans and says it has more new products on the way.

The group's share of brewing profits in the first half was C$74m, down 24 per cent, mainly due to the deal with Miller Brewing of the US which this year took a stake in Molson Breweries.

Molson's chemical businesses improved and retailing performed well.

In specialty chemicals, Diversey's operating profit rose 12 per cent to C$43.2m in the first half on sales of C$681m, up 3 per cent. European operations were strong, except in Spain.

US cleaning chemicals were marginally profitable, against a loss last year, but Canadian operations improved significantly and Latin America and Asia Pacific also strengthened. Maisham, the retailing group, posted sales up 15 per cent, and operating profits of C$19.3m against C$92m. The new megastores were performing well.

Repap reduces losses with firmer pricing

REPAP Enterprises, one of North America's top coated paper producers, reduced third quarter losses, thanks to firmer pricing and increased efficiency at its Canadian and US mills. The lower Canadian dollar and lower interest rates helped, writes Robert Gibbens.

The pre-tax loss was C$32.2m (US$24.6m), down from C$51m a year earlier. Revenues rose 7 per cent to C$309m, with coated papers and construction timber showing good gains, but market pulp remained. The nine-month pre-tax loss was C$103m, against C$171m.

Reader's Digest stages rebound

By Frank McGurty in New York

WALL Street took heart yesterday from an announcement by Reader's Digest that its struggling US books and home entertainment business had showed signs of rebounding.

In early trading the stock was $1⅛ ahead at $42⅝, even though the news came against the backdrop of a 7 per cent decline in net income, lower revenues and a sharp downturn in operating profits during the three months to September 30.

The company said "early reports" indicated that changes in the marketing strategy for its US book operation were succeeding in returning its growth rate back to "historic levels" of about 10 per cent.

It added that it would eliminate a further 200 jobs to bring domestic "staffing levels in line with business activities". In June, 250 redundancies were announced. After the cuts are fully implemented, the company will employ about 2,050 in the US and 7,200 worldwide.

With the share price near its 52-week low, investors appeared willing to bet the worst may be over. The stock had fallen sharply since February, when Reader's Digest first said the business was not performing to expectations.

The company, a leading publisher of magazines and books, blamed unfavourable changes in currency exchange rates for the 7 per cent decline in revenues to $637.2m, and a 23 per cent fall in operating profits, to $68.2m If currency changes were excluded, revenues would have showed a 6 per cent rise.

In the event, net income fell to $62.8m, compared with $67.6m in the first quarter of 1992. Earnings per share worked through at 54 cents, exceeding analysts' forecasts of about 50 cents. In addition to the strength of the US dollar, profits suffered from increased promotional spending in international markets.

New chief at Canadian regulator

By Robert Gibbens

MR Edward Waitzer, chairman of the Ontario Securities Commission, has promoted Mrs Brenda Eprile, 39, chief accountant, to the top staff position of executive director.

Mrs Eprile joined the OSC, Canada's leading regulatory body for the securities industry, in 1985. She succeeds Mr Joseph Oliver, who has joined an investment firm. Mrs Eprile is the first woman to be named executive director, a post normally filled from the investment or legal communities.

She will head all seven divisions' review operations for potential rationalisation and later examine the regulations. She has played a key role in developing capital adequacy standards and improving the quality of annual reports.

● Teleglobe, Canada's overseas telecommunications group, 19.7 per cent owned by BCE, recorded a third quarter net profit of C$20.5m (US$15.5m), or 33 cents a share, up from C$15m, or 27 cents, on revenues of $381m, up 22 per cent. Nine-months profit was C$47.9m, or 79 cents, compared with a loss of C$68.6m, or C$1.56, after special charges.

Snapple mixes an explosive fruit cocktail

By Karen Zagor in New York

A COMPANY which turns in operating income growth of 230 per cent on revenue growth of 130 per cent should expect to hit the financial headlines. But not when that company is Snapple Beverage, the New York-based fruit juice and iced tea maker.

In the 11 months since it went public, the company has become something of a Wall Street legend. Once an obscure regional brand, Snapple has seeped into the American consciousness and on to store shelves, sending sales soaring.

It has turned up in the refrigerators of television show characters and featured prominently in this summer's hit film *Sleepless in Seattle*. A recent fashion section in The New York Times magazine referred to the "Snapple set ... who crave exotic juices the way another generation once craved quiche". According to the Wall Street Journal, the term Snapplesque has entered Wall Street's lexicon as the definition of a stock which is wildly overpriced.

The company's stock has performed erratically, trading as high as $29⅞ (adjusted for a September stock split) before dropping to $23. Shares climbed $1⅛ to $24⅝ yesterday, after the company posted its third quarter earnings of $26.9m, or 22 cents a share, up from $7.8m, or 6 cents, last year on a pro forma basis.

Revenues rose to about $113.7m in the quarter from $86.9m last year.

To put these numbers in perspective, Snapple posted revenues of only $13.3m for the whole of 1988. In 1991, the year before it went public, revenues had risen to $95m. Analysts expect revenues of more than $400m this year.

Snapple's explosive performance has left investors wondering whether the company is another Ben & Jerry's in the making – a company which translated its overnight success into a long-running reliable performance – or whether it is merely flavour of the month, doomed to fall as dramatically as it has risen.

The company attributes its strength to "beverages which appeal to consumers seeking great tasting, natural products", and Snapple doubtlessly slaking some of the nation's thirst for seemingly healthy non-alcoholic drinks.

Sales of these drinks – dubbed New Age beverages by Wall Street analysts – are rocketing. In the ready-to-drink iced teas category alone, sales are expected to climb 70 per cent this year to $850m, according to some industry experts.

Traditionally, Snapple relied on word-of-mouth praise to propel sales rather than expensive advertising campaigns. This worked when its main market was confined to the New York area.

But it has expanded enormously, and with 52 beverage lines and a presence in every state in the nation, the company is using more mainstream methods of promotion. This year it launched its first national advertising campaign – at an estimated cost of 30m.

Fame has brought Snapple its share of notoriety. In September, the company was forced to run an advertising campaign to quash rumours it supports the Ku Klux Klan, the white supremacist group, and it endorsed the tactics of Operation Rescue, an anti-abortion group.

The KKK rumour is particularly ironic given that Snapple's founders have described themselves as "three Jewish boys from Brooklyn". In a letter to consumers the company said: "We are not involved in any way whatsoever with the KKK, Operation Rescue or any other type of pressure group or organisation, period."

Perhaps more worrying are charges that the Food and Drug Administration is looking into Snapple's "all natural" claim on some of its labels and the California health services department is questioning the "brewed" label on its iced teas.

Even if these concerns come to naught, the Snapple craze could fizzle out. But for the moment US consumers seem to be saying it tastes good enough to keep profits growing.

CONTRACTS & TENDERS

INTERNATIONAL COMPANIES AND FINANCE

Forex losses at Ansett keep TNT in the red

By Nikki Tait in Sydney

TNT, the troubled Australian transportation group, yesterday told shareholders that it made a loss after tax and abnormal items of A$33.2m (US$22.4m) in its first quarter to end-September. In the corresponding quarter of 1992, the group reported a A$65.1m deficit.

The red ink in the latest three months, however, was mainly due to abnormal charges, which totalled A$35m, compared with A$49m a year ago.

These, the company said at its annual meeting in Sydney, were "almost wholly" due to unrealised foreign exchange losses incurred by the Ansett airline group. Ansett, a predominantly domestic carrier, is owned jointly by TNT and Mr Rupert Murdoch's New Corporation.

On a consolidated basis – that is, excluding companies in which TNT holds no more than a 50 per cent interest – there was a small A$43.6m profit, compared with a A$44m loss in the first quarter of 1992. Meanwhile, ahead of abnormal items and tax, TNT made a first-quarter profit of A$23.4m, up from just A$2m last time.

Mr Fred Millar, TNT's chairman, told shareholders that results from many parts of the group were improving. However, TNT admitted that a couple of trouble-spots continue to dog the group – notably the Spainish business, where the first-quarter loss was larger than last year and worse than budget, and GD Express Worldwide, owned jointly by TNT and five national post offices. The latter, said Mr Millar, has budgeted to halve its 1992/3 loss in the current year, and reach break-even by mid-1995.

At the lengthy annual meeting, directors faced tough questioning from some shareholders, although many seemed supportive of the board's current strategy.

Mr Millar added that the group hoped to be able to announced new board appointments by early 1994; it lost half a dozen members this summer, when a boardroom split occured, and Sir Peter Abeles – along with a band of directors who backed him – severed ties with the company he built up.

Flotations to raise A$200m

TNT said it planned to float its Australian shipping unit and its local car auctioning service to make up a large part of the A$200m (US$135m) earmarked for asset sales in 1993-94, Reuter reports from Sydney.

Mr David Mortimer, managing director, said after the company's annual meeting that he expected the Australian car logistics unit to be listed on the Australian Stock Exchange by the end of 1993, with details to be announced next month.

He said negotiations for the float of TNT Shipping and Development were expected to be complete by next February.

1992/

Fletcher seeks NY listing

By Terry Hall

FLETCHER Challenge hopes to see both its ordinary and new forestry shares listed on the New York Stock Exchange by the end of the year, Mr Hugh Fletcher, the chief executive, said yesterday.

He was giving details of the planned issue of a new class of Fletcher Challenge shares to be known as Forest Division shares. These are to be issued free to all shareholders, with one share being given for every four existing ordinary shares.

The shares will represent 50 per cent of Fletcher Challenge's interests in forestry plantations in New Zealand and Chile.

Indians protest foreign buying spree

Stefan Wagstyl in New Delhi and **R.C. Murthy** in Bombay on special discounts

INDIAN entrepreneurs are protesting at the sight of foreign multinationals buying stock in their Indian subsidiaries at a fraction of the market price.

Taking advantage of rules designed to tempt foreign groups back into India, over 30 groups have increased their stakes in their Indian units, at discounts of up to 90 per cent of market prices.

Colgate Palmolive, the US toiletries group, bought stock in its Indian affiliate at a 90 per cent discount to the market; Burmah, the UK oil company which controls Castrol, secured an 89 per cent discount on shares in Castrol India; and ABB, the Swiss-Swedish engineering combine, bought shares in ABB India at a 78 per cent discount.

Indian business families claim this is unfair because they, too, would like to buy stock cheaply.

As Mr Rahul Bajaj, chairman of Bajaj Auto, the world's biggest scooter maker, says: "If foreign companies are allowed to buy stock at a discount, so should domestic companies. We need a level playing field."

Indian business families generally own less than 20 per cent of their listed companies and would like to increase their holdings to secure better control. Some are concerned that they will be swept away by the multinationals which, having secured control of their subsidiaries, will buy out indigenous Indian industry as well.

The finance ministry has yet to decide what to do. "We have not reached a conclusion. You can say there's policy vacuum," says one senior official.

The origins of the argument lie in the 1970s, when multinationals were forced to cut stakes in their Indian affiliates to 40 per cent or less – often at fire-sale prices.

In 1991, when the government raised the limit to 51 per cent as part of the liberalisation programme, foreign companies were slow to buy back their shares because prices were high.

'If foreign companies are allowed to buy stock at a discount, so should domestic companies. We need a level playing field.'

Last year, Indian financial institutions, which are controlled by the government and hold the bulk of Indian equities, agreed on a formula under which controlling shareholders could buy their stock at a price/earnings multiple of 15 times earnings – compared with a market average of 30.

The multinationals seized their chance and arranged for their subsidiaries to sell them cut-price shares. The discounts were sometimes far greater than the Indian authorities had expected, because prices were determined by the previous year's profits – low profits meant a low price.

The finance ministry did not object, since it was keen to attract the multinationals back to the country and the sums involved were modest – generally less than US$10m. The share issues were subject to approval by shareholders owning at least 75 per cent of the company.

But there were few objections because most shareholders thought foreign companies that increased their stakes might also bring other benefits to their Indian subsidiaries – and so bring value to shareholders.

The Indian Companies Act permits such preferential issues to any shareholder, whether Indian or foreign, as long as it is approved by shareholders with 75 per cent of the stock. And some Indian groups have, like the multinationals, taken advantage of this rule. Tata, the country's largest combine, increased its holding in Tata Steel, its biggest operating company, from 8 per cent to 12 per cent about two years ago. Families which have recently raised stakes include the owners of Indian Rayon, a textile group (43 per cent discount to the market price), Vysya Bank, a leading bank (97 per cent) and Nahar Shipping (55 per cent).

However, this wave of cheap issues has worried the financial institutions. Last week, they forced Mahindra & Mahindra, a vehicle maker, to amend plans for an issue of equity warrants which would have enabled the founding Mahindra family to buy stock at about Rs80 a share, compared with a market price of Rs270.

The institutions decided, in private meetings, that this was too cheap – but agreed to a price equivalent to about Rs120.

With the encouragement of the finance ministry, the institutions are likely to examine future proposals for preferential issues more closely. At the ministry, some officials believe that foreign groups deserve special treatment because of the enforced losses they suffered in the 1970s.

They argue Indian business families do not deserve special protection – any more than founding families in the US and other developed countries are entitled to maintain control through preferential share issues.

However, these views are not unanimous. Other officials believe the ministry should not be over-accommodating to foreigners at a time when critics of government economic policy – including the opposition Bharatiya Janata Party, the right-wing Hindu party – accuse ministers of favouring foreigners at the expense of Indian companies.

Indian businessmen say some techniques available in other countries are banned in India, such as using shares as security for a bank loan or issuing non-voting stock.

Mr Onkar Singh Kanwar, managing director of Apollo Tyres, a leading tyre-maker in which the founding family holds about 19 per cent, says: "Foreign companies have an unfair advantage over us."

One way of ensuring fairness would be to amend the Companies Act and ban altogether the issue of shares on preferential terms to favoured shareholders.

Given this possibility, it is not surprising that companies are rushing to complete their share issues lest they leave it too late.

Lion Nathan looks to Asia for further growth

LION NATHAN is looking to Asia for growth opportunities and is not planning further acquisitions in either Australia or New Zealand, the brewer's chief executive, Mr Doug Myers, said yesterday, Reuter reports from Auckland.

Mr Myers also said the group would "comfortably achieve" a profit of more than NZ$200m (US$110.94m) after tax and goodwill amortisation in 1994 against NZ$155.86m in the year to August.

He said Australian and New Zealand markets were mature with little opportunity for growth. But beer markets were growing in Asia, Eastern Europe and South America.

Lion was looking at joint venture options in Asia and would concentrate its efforts on selling products to the other two markets rather than setting up breweries.

The company is evaluating a proposition to set up a brewery in South Korea with American brewer Adolph Coors, and is considering other proposals.

Lion, which bought brewing and hotel assets in August from S.A. Brewing for Australian $225 million, said it will start selling the 105 hotels in the first quarter of 1994.

Earlier yesterday the company reported a bottom line profit of NZ$32.1m for the year to August, up from $20.8m.

IBM and Kodak form service business

INTERNATIONAL Business Machines and Eastman Kodak of the US yesterday announced the formation of a jointly owned computer maintenance service business, writes Louise Kehoe in San Francisco.

Technology Service Solutions will provide services to owners of IBM workstations, personal computers and point-of-sale products used in shops.

It is expected to employ about 3,000 technicians, many of them transfered from IBM, will be based in Valley Forge, Pennsylvania.

The venture builds on an existing relationship between IBM and Kodak for the service of terminals located in shops.

Asia Pacific Breweries buys rest of DB Group

By Terry Hall in Wellington

ASIA PACIFIC Breweries, whose main shareholders are Heineken, of the Netherlands, and Fraser and Neave, of Singapore, is to take control of New Zealand's second-biggest brewer, DB Group.

Until now DB Group has been controlled by a consortium of Asia Pacific Breweries and Brierley Investments, but APB said it plans to buy Brierley's 27 per cent stake in the financially troubled group for NZ$115m (US$64m)

Asia Pacific also said it was selling its 25 per cent shareholding in Australian hotel group Austotel to Brierley for NZ$38.33m. Brierley will then buy a further 50 per cent of Austotel, now held by DB Group, for NZ$76.6m.

DB Group, formerly Magnum Corporation, has run up substantial losses in recent years, mainly due to its investment in Austotel and in Wilson Neill, owner of the Tasmanian brewery Cascade Group.

Brierley's chief executive, Mr Paul Collins, said Asia Pacific Breweries would bring to DB Group Heineken's expertise in brewing to further increase its quality, while Brierley's expertise would help rebuild Austotel to an "acceptable level of profitability."

LONDON STOCK EXCHANGE DEALINGS

THE INFORMATION shown on this page, which appears every Saturday, is supplied to the Financial Times by the London Stock Exchange.

Stocks shown are selected by the Stock Exchange from among those companies and securities whose prices do not appear in our daily London Share Service.

The Saturday selection changes frequently, according to the volume of trading in individual stocks registered by the Stock Exchange during the week ending on each Thursday. Thus no dealing takes place in a stock, it will not be included in the following Saturday Dealings page.

INTERNATIONAL CAPITAL MARKETS

US Treasuries ease ahead of refunding report

By Patrick Harverson in New York and Tracy Corrigan in London

US TREASURY prices continued to ease at the long end of the market yesterday morning as investors and dealers traded cautiously ahead of the afternoon refunding announcement and tomorrow's employment report.

By midday the benchmark 30-year government bond was down ½ at 102$\frac{1}{16}$, yielding 6.094 per cent. At the short end of the market, the two-year note was unchanged at 99$\frac{31}{32}$, to yield 4.139 per cent.

GOVERNMENT BONDS

After posting big declines earlier in the week on news of a strengthening economy, prices opened little changed yesterday. The absence of any buyers in early trading, however, meant longer-dated prices slipped lower for lack of support. Traders said business activity was light, with investors mostly staying on the sidelines in advance of the Treasury's breakdown of its November refunding round.

Trading was also hampered by an unwillingness among participants to get too actively involved ahead of the all-important October jobs report, which is due out tomorrow morning.

■ THE GERMAN bond market ended little changed, after the Bundesbank disappointed traders by reducing the minimum repo rate by just one basis point. German traders had been hoping for at least a three basis point cut.

The lowest accepted rate for 13-day funds dropped to 6.39 per cent after last week's 6.40 per cent.

"The Bundesbank is not going to cut rates aggressively, and traders have to come to terms with that," said one analyst.

The market's uninspiring performance yesterday, following a rally in the last few days, gave other European markets a chance to regain some ground.

■ ITALY was the day's star performer, with bond futures up a full point. Bond prices recovered some, but not all, of the ground they have lost in the last week.

"Short-term budget concerns are fading and long-term political concerns are on hold," said Mr Kit Jukes, an international economist at SG Warburg, who added that political concerns are bound to resurface later.

■ DANISH bond prices rose about ¼ point, following a ¼ point cut in the discount rate to 7 per cent. Dealers are expecting a repo rate cut to follow today.

The rate cut helped renew hopes that further easing elsewhere in Europe is on the way.

■ FRENCH bonds ended virtually unchanged, failing make up any ground against Germany, ahead of today's auction of the French Treasury's new benchmark 10-year bond.

Dealers said the Danish rate cut had added to frustration over the French government's failure to cut rates.

"The franc is relatively strong," said Ms Marie Owens-Thomsen, international strategist at Midland Global Markets.

"There is plenty of scope for the French authorities to move without even beginning to assert an independent policy [from the Germans]."

She believes that there is "a distinct possibility" of a rate cut next week, but warns that, while the short end of the market stands to benefit, long-dated bonds are not likely to gain much ground.

"People are starting to lock in profits [on the long end of the bond market], as we move into the end of year," she said, causing the yield curve to steepen.

■ SWEDISH bond yields fell 10-15 basis points yesterday, as traders welcomed the appointment of Mr Urban Baeckstroem as governor of the Swedish central bank, the Riksbank.

Mr Baeckstroem, who takes office at the start of next year, is viewed as favouring faster interest rate reductions than the current central bank governor, Mr Bengt Dennis. Swedish money market rates also fell on the news.

■ GILT prices ended more than ¼ point higher yesterday, encouraged by the stronger US Treasuries market.

Tuesday's Bank of England inflation report suggesting a potential rise in inflation beyond the government's targets had little impact on the market.

Dealers said that the report did not rule out further easing of rates around the time of the Budget on November 30.

FT FIXED INTEREST INDICES

	Nov 3	Nov 2	Nov 1	Oct 29	Oct 28	Year ago	High *	Low *
Govt Secs (UK)	102.67	102.68	102.38	102.67	102.65	93.88	103.60	93.28
Fixed Interest	123.99	124.13	124.25	124.35	124.35	107.86	125.20	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 125.20 (1/8/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Nov 2	Nov 1	Oct 29	Oct 28	Oct 27
Gilt Edged Bargains	87.7	97.7	99.9	152.9	110.5
5-Day average	108.7	112.8	114.9	116.2	107.3

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	121.0467	-0.410	6.55	6.46	6.69
BELGIUM		9.000	03/03	112.9000	+0.100	7.06	7.11	7.31
CANADA *		7.500	12/03	104.2000	-0.300	6.91	6.77	6.99
DENMARK		8.000	05/03	111.1500	+0.278	6.40	6.36	6.66
FRANCE	BTAN	5.750	11/98	101.2254	-0.000	5.46	5.43	5.67
	OAT	6.750	10/03	105.0400	-0.040	6.06	5.99	6.04
GERMANY		6.000	09/03	101.0450	+0.030	5.86	5.90	6.06
ITALY		10.000	09/03	105.9100	+0.465	9.27†	9.14	9.27
JAPAN	No 119	4.800	06/99	108.1430	-0.004	2.91	2.98	3.22
	No 157	4.500	06/03	106.7412	+0.113	3.49	3.60	3.61
NETHERLANDS		7.000	02/03	108.2000	+0.190	5.86	5.85	5.93
SPAIN		10.900	08/03	115.4000	+0.150	8.50	8.51	9.05
UK GILTS		7.250	03/98	104-08	+07/32	6.15	6.16	6.30
		8.000	06/03	108-07	+12/32	6.82	6.87	6.87
		9.000	10/08	118-20	+13/32	7.17	7.21	7.23
US TREASURY *		5.750	08/03	101-01	+8/32	5.61	5.42	5.32
		6.250	08/23	102-10	+3/32	6.08	6.01	5.96
ECU (French Govt)		8.000	04/03	110.7100	-0.040	6.46	6.40	6.70

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Banker calls for more supervision of derivatives

MARKETS in derivatives products require greater scrutiny, according to Mr Hans Georg Fabritius, the vice president of the Deutsche Bundesbank's regional bank in Hesse, AP-DJ reports from Frankfurt.

Mr Fabritius called for international harmonisation of supervisory guidelines in light of the globalisation of markets. Greater transparency also is needed, he said.

Derivatives have been the focus of several recent high profile reports, notably a critical appraisal by the Bundesbank itself.

"For me, there's no question that the controls and supervision must be increased," Mr Fabritius said. Non-binding recommendations for market participants aren't enough. Market transparency, which is "more than unsatisfactory" in Germany, also must be improved, he said.

Annual reports published by German banks offer essentially no description of an institution's activities in the derivatives market, he said.

"The banks should contribute to improving market transparency out of self-interest and which would allow them to better gauge and steer counterparty risk," he said.

Netting, the process of offsetting transactions against each other, has yet to be regulated on an international basis, Mr Fabritius said. In Germany, for example, it's not clear how netting would be treated in bankruptcy cases.

While noting that netting diminishes individual counterparty risk, he argued that it does free up equity, thereby permitting further derivatives transactions.

The question of determining overall market risk depends in large part on whether derivatives are a stabilising or destabilising factor in the markets, he said. Although they are considered neutral in theory, that has not always been confirmed in practice.

Although derivatives do improve the transfer of risk from the more risk-adverse to those willing to take on risk, there are signs that derivatives are used more for trading gains or speculative purposes than to hedge risk, he said. In that way, they become fresh sources of risk.

One sign of this is that swap transactions between traders outweigh agreements involving end users, Mr Fabritius said. Some also consider high levels of open interest in the futures markets as an indication of large speculative trades.

Generous pricing ensures a good reception for Catalonia

By Antonia Sharpe

RELATIVELY generous pricing ensured a good reception yesterday for the first international bond offering from Catalonia, one of Spain's richest autonomous regions.

The success of the FFr1bn offering of 10-year Eurobonds bodes well for the forthcoming issue from the Spanish region of Andalucia, which is expected to launch a FFr1.3bn offering of 10-year Eurobonds on November 15.

Catalonia's Eurobonds were priced to yield 35 basis points over the 6% per cent French government OAT due 2003. The yield spread came at the top end of market expectations of 30 to 35 basis points.

Lead manager CCF said that investors had been pleasantly surprised by the yield on the bonds but Catalonia had still achieved a spread equal to or less than those on outstanding French franc Eurobonds issued by the Kingdom of Spain.

Mr Xavier Ruiz del Portal, Catalonia's director of finance, said the all-in cost of the offering was 6.47 per cent and that by the end of the day, around 60 per cent of the bonds had been placed with investors.

Speaking from Barcelona, Mr Ruiz del Portal said: "This shows that the bonds have been priced at the right level." He added that Catalonia was likely to make an early return to the Eurobond market as a result of the success of yesterday's debut offering.

INTERNATIONAL BONDS

CCF said retail demand for Catalonia's bonds had exceeded expectations. Of the bonds sold, more than a third were placed with retail investors, high net worth individuals in particular, and the remainder with institutions.

When the bonds were freed to trade, they eased from their fixed re-offer price of 98.773 to 98.63 bid. However, the spread remained at 35 basis points, reflecting CCF's commitment to keeping the spread intact.

Wood Gundy launched a C$300m issue of 15-year Eurobonds backed by high-coupon Canadian government bonds. The offering was designed to tap investor demand for long-dated Canadian dollar paper.

The bonds were priced to yield 80 basis points over the 7½ per cent Canadian treasury due 2003 and 35 basis points over the interpolated 15-year area of the yield curve.

Wood Gundy said that similar offerings had been launched in the US, Canada and Euro-lira markets in the past year. It expected the structure to be adopted in other bond markets where high-coupon government bonds are trading at a substantial premium to their par value.

Investors are unwilling to buy such bonds because of their intrinsic capital loss. However, by stripping the coupons from the bonds and placing them in a special purpose vehicle, banks can re-package them as new bonds which can then be sold on to investors.

Elsewhere, the downward spiral in yields continued in the Swiss foreign bond market as Elf, the French oil giant, raised SFr125m through an issue of eight-year bonds with a coupon of 4.125 per cent. Syndicate managers said it would not be long before a borrower with a triple-A rating launched an offering of bonds with a 4 per cent coupon.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
National Bk. of Hungary‡	200	8.875	100	Nov.2013	1.625	+253(7½%-23)	Morgan Stanley
Metalurgica Gerdau SA(a)‡	100	10.25	99.40R	Nov.2001	1.375	+500(a)	Citibank Intl.
CANADIAN DOLLARS							
Canada 7¼% 2008 (Cayman)	300	7.25	97.50R	Jun.2008	0.40R	+80 (7¼%-03)	Wood Gundy
Quebec Urban Community(c)	30	7.00	99.125R	Dec.2000	0.35R	+67 (c)	Hambros Bank
Quebec Urban Community(d)	20	7.625	99.20R	Dec.2003	0.375R	+70 (7½%-03)	Hambros Bank
YEN							
Nissho Iwai (b)	8bn	3.15	100.25R	May.1997	0.25R	-	Sanwa International
FRENCH FRANCS							
Generalitat de Catalunya	1bn	6.25	98.773R	Nov.2003	0.375R	+35 (6¾% 03)	Credit Comm.de France
GUILDERS							
Intl. Ned. Verzekeringen	250	6.25	98.75R	Jan.2009	0.35R	+24 (6¼%-07)	ING Bank
SWISS FRANCS							
Ste Nat. Elf Aquitaine	125	4.125	102.25	Dec.2001	-	-	UBS

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Put otion on 23/11/96 at 98.72 and 23/11/98 at 97.50. Spread is over the interpolated yield curve. b) Short first coupon to 9/2/94, short second coupon to 9/5/94. c) Tranche A of C$50m issue. Spread is over the 5-10 year interpolated yield curve. d) Tranche B of C$50m issue

Subscriptions open for Bank Slaski flotation

By Christopher Bobinski in Warsaw

POLAND's fledgling capital market faced a major challenge yesterday with the opening of subscriptions for 30 per cent of Bank Slaski, the big state owned bank.

The flotation, worth 1,395bn zlotys ($69m), follows the bank's recent failure to attract a strategic partner. Last week the finance ministry cancelled a tender for 45 per cent of the bank after failing to receive an offer for the 20 per cent open to a major foreign bank investor. The ministry says it is continuing to search for a partner.

Bank Slaski, which has a loan portfolio weighted towards the country's chemical, steel and coal industries, reported a gross profit of 735bn zlotys for the first six months of this year on a balance sheet worth 33,147bn zlotys.

The current stock market issue, open to both foreign and domestic investors, is for between 5 and 5,000 shares at a price of 500,000 zlotys each. It gives Bank Slaski a price-earnings ratio of around 3.5 compared with a range of 17 to 29.5 for the other three banks listed on the Warsaw exchange.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on November 3

	Issued	Bid	Offer	Chg. day	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	101⅛	101⅞	+⅛	6.26
AlbertaProvince 9⅝ 95	800	109⅝	109⅞	+⅛	4.46
Austria 8½ 00	400	114⅝	115		5.64
[illegible]					
Norway 5⅛ 95	50000	103⅝	103⅞		2.48
SNCF 6¾ 00	30000	117⅞	118⅛	+¼	3.54
Sweden 3⅞ 95	20000	105½	106		2.81
World Bank 6¾ 00	50000	117⅞	118⅛	+⅛	3.56

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Abbed 7½ 95 LFr	600	99⅞	100⅞		7.87
Genfinance Lux 9⅛ 96 LFr	1000	107¼	110⅛		7.44
World Bank 8 96 LFr	1000	101½	102½		7.28
Bank Voor Ned Gem 7⅛ 02 Fl	1000	109⅛	109⅝		6.26
[illegible]					

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
[illegible]					
Texas Instruments 2¾ 02	300	62⅞	101¾	102¾	+28.50

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate ‡three-month §above mean rate for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	60	5	8
Other Fixed Interest	5	1	9
Commercial, Industrial	292	242	881
Financial & Property	89	146	692
Oil & Gas	15	27	37
Plantations	4	1	4
Mines	39	21	79
Others	39	49	46
Totals	546	495	1,856

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
170	F.P.	-	176	170	[illegible]	170	-1	[illegible]	0.7	4.3	43.5
100	50		92	83	B2W Endowment Fund	85	+½	-	-	-	-
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-
[illegible]							
230	Nil	9/12	40½pm	37pm	[illegible]	39pm	
8	Nil	29/11	1pm	1pm	Birdale	1pm	
370	Nil	12/11	55pm	52pm	Blick	53pm	+1
85	Nil	23/11	13pm	7pm	[illegible]	9pm	-1
50	Nil	10/12	4pm	¼pm	Costain	¼pm	-¼
65	Nil	14/12	8pm	6pm	Elliott (B)	8pm	
35	Nil	13/12	1¼pm	1¼pm	Eng & Overseas Props	1¼pm	
95	Nil	10/12	32pm	26pm	Fenner	32pm	
187	Nil	10/12	38pm	28pm	Frost	38pm	+8
375	Nil	8/12	140pm	115pm	Matthew Clark	139pm	
330	Nil	29/11	68pm	58pm	Mersey Docks	67pm	
28	Nil	2/12	14pm	7pm	Salehard	7pm	
195	Nil	12/11	25½pm	22pm	Telkers	22pm	
2½	Nil	10/12	¼pm	¼pm	Wentworth	¼pm	
15	Nil	27/11	3pm	3pm	Wescol	3pm	
215	Nil	8/12	42pm	31pm	Yale Catto	42pm	+5

pm Price at a premium. For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings Oct. 25
- Last Dealings Nov. 5
- Last Declarations Jan. 27
- For settlement Feb. 7.

3-month call rate indications are shown in Saturday editions.

Calls: Aminex, Crest Nicholson, Hanson Wts., Pacer Systems, Raine Inds., Signet, Sunleigh, Tullow Oil, Wilshaw, Tadpole Tech. Tiphook. Put: Merivale Moore. Put & Call: Aminex.

FT-SE ACTUARIES INDICES

LIFFE EQUITY OPTIONS

[illegible]

November 3 Total Contracts 37,388
Calls 20,852 Puts 16,536
FT-SE Index Calls 3,677 Puts 4,899
Euro FT-SE Calls 1,250 Puts 2,909
*Underlying security price. †Long dated expiry months.
Equity premiums are based on closing offer prices.
Index options are settlement prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Wed Nov 3	Day's change %	Tue Nov 2	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	128.58	+0.05	128.49	1.88	10.03
2	5-15 years (23)	156.17	+0.29	156.23	1.49	11.58
3	Over 15 years (8)	177.80	+0.27	177.31	2.81	8.70
4	Irredeemables (6)	208.17	-0.80	208.82	0.14	13.47
5	All stocks (61)	151.78	+0.21	151.71	1.76	10.88
	Index-Linked					
6	Up to 5 years (2)	189.84	+0.04	189.76	0.45	4.28
7	Over 5 years (11)	187.13	+0.13	186.80	0.88	4.29
8	All stocks (13)	186.49	+0.12	186.27	0.81	4.27
9	Debs & Loans (66)	143.14	-0.19	143.41	2.02	9.75

AVERAGE GROSS REDEMPTION YIELDS

			Wed Nov 3	Tue Nov 2	Year ago (approx.)
	British Government				
1	Low	5 years	6.15	6.19	[illegible]
2	Coupons	15 years	7.03	7.06	[illegible]
3	(0%-7¾%)	20 years	7.16	7.14	[illegible]
4	Medium	5 years	6.37	6.41	[illegible]
5	Coupons	15 years	7.16	7.20	[illegible]
6	(8%-10¾%)	20 years	7.22	7.24	[illegible]
7	High	5 years	6.50	6.54	[illegible]
8	Coupons	15 years	7.36	7.38	[illegible]
9	(11%-)	20 years	7.38	7.40	[illegible]
10	Irredeemables (Flat Yield)		7.29	7.23	[illegible]
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.33	2.33	[illegible]
12	Inflation rate 5%	Over 5 yrs.	3.12	3.13	[illegible]
13	Inflation rate 10%	Up to 5 yrs.	1.51	1.52	[illegible]
14	Inflation rate 10%	Over 5 yrs.	2.95	2.95	[illegible]
15	Debs &	5 years	7.75	7.81	[illegible]
16	Loans	15 years	8.15	8.13	[illegible]
17		25 years	8.29	8.28	[illegible]

COMPANY NEWS: UK

Acquisition of Eckardt is third continental European buy this year

Siebe seeks £184.3m via rights

By Richard Gourlay

Tony Andrews

Allen Yurko (left) and Barrie Stephens: confident Eckardt could be a significant profit and cash generator within 18 months

SIEBE, the international controls and engineering group, yesterday launched a £184.3m rights issue to buy Eckardt, a family controlled business in Germany and the group's third acquisition in continental Europe this year.

The 1-for-10 issue is priced at 485p, a 14 per cent discount to the 565p at which the shares closed on Tuesday. Siebe's shares rose 9p yesterday.

Mr Barrie Stephens, chairman and chief executive, said Eckardt, which makes process automation and control systems, was being acquired because of its fit with the European operations of Foxboro, the US business bought three years ago for $650m.

Eckardt is a well-known name in control engineering and was called by one analyst yesterday a "small European Foxboro". It will give Siebe an enlarged European manufacturing base and access to a bigger pool of German engineering expertise.

The company made a DM6.1m pre-tax loss in the year to December 31 1992 on sales of DM230.7m, after charging DM7m above the line for restructuring.

Mr Allen Yurko, managing director and chief operating officer, said he was confident Siebe could turn Eckardt into a significant profit and cash generator within 18 months and that there was scope to reduce costs substantially.

Siebe will be paying DM212.6m (285.1m), including the assumption of DM33.8m of debt. Initially the group will make a DM30m subscription for new Eckardt shares, which will give it control and substantially repay bank debt.

The German families, led by the Sieglin family, which control Eckardt have asked to receive the balance of DM179m next October.

Siebe is also repaying debt taken on earlier this year when it paid £27.3m to buy two controls companies, Eberle in Germany and Schmidt in Austria.

After the acquisitions Siebe will be left with cash of about £72m which it will not be using to repay debt. Mr Stephens said Siebe was only currently looking at one other potential acquisition, a small European company in the controls field.

The group had not wanted to raise money via a placing, because that route denied some shareholders the opportunity to sell rights in the market. To have raised less than the amount implied by a 1-for-10 rights was not practical or worth the cost, the advisers had said.

Gearing after the acquisitions will be no higher than 39 per cent, but significantly lower after a fair value adjustment to reflect better a higher value of Eckardt's assets.

Siebe said when it bought Foxboro and gearing rose to 100 per cent that it would cut the debt equity ratio to below 55 per cent within three years. Mr Stephens said Siebe had achieved this target on a pro-forma basis before the two acquisitions earlier this year.

Eckardt makes gross margins of 35-40 per cent, has net book assets of DM29.1m and substantial hidden assets on the balance sheet, Siebe says.

Mr Stephens said the deal would not be dilutive. The group says it expects to achieve PBIT margins similar to the 19 per cent achieved at Foxboro within 18 months.

Siebe is in its close period. But Mr Stephens said trading was currently on target and the group continued to be cash generative. The company said it would pay a 3.66p interim dividend – a 10 per cent rise – on the increased shareholder base.

The purchase of Eckardt takes Siebe further into the controls business which already accounts for 70 per cent of group sales of £1.6bn. The group only entered this area in 1983.

The rights issue is fully underwritten by SG Warburg.

See Lex

GEC will only bid for full control of Ferranti

By Paul Taylor

GEC, which has proposed a 1p-a-share bid for Ferranti, has told Ferranti's chairman Mr Eugene Anderson, that it is only interested in taking 100 per cent control of the troubled defence electronics group.

Mr Anderson, responding to a series of questions raised by Mr John Katz, who is representing some disgruntled Ferranti shareholders, said he had spoken again to GEC about the possibility of leaving current shareholders with a minority stake in a Ferranti which would be majority controlled by GEC.

"The answer was unequivocal," Mr Anderson said. "They will not bid for anything less than 100 per cent of the equity. They believe that they need this position in order to have the flexibility to take the actions necessary to reverse the deterioration of Ferranti brought on by its weak balance sheet and lack of liquidity."

There are growing signs that some of Ferranti's 48,000 individual shareholders are deeply unhappy with the GEC offer. This, together with Ferranti's complex share structure, has raised doubts over whether GEC will be successful in winning the backing of investors holding 90 per cent of the equity and raised hopes among some investors that GEC might settle for becoming the majority shareholder.

However, Mr Anderson made it clear yesterday that GEC has reiterated that it will only go forward with the bid "if it receives 90 per cent acceptances" – the minimum percentage required under company law to compulsorily purchase the rest.

Meanwhile Mr Katz has invited Mr Anderson to make a presentation to disgruntled Ferranti shareholders at a meeting he is planning to hold to discuss their campaign.

Mr Katz, who has received hundreds of telephone calls from anxious individual Ferranti shareholders, said yesterday that he hoped to arrange the meeting to give them the chance to air their views.

Yorkshire-Tyne Tees TV warns of fall into loss

By Raymond Snoddy

YORKSHIRE-Tyne Tees Television, the big ITV contractor, warned yesterday that it was likely to report a loss for the year to September 30.

The formal announcement, which led to a 4p drop in the share price to 172p, confirmed persistent rumours that the advertising revenue for the year would be lower than previously expected.

It is clear that Yorkshire's airtime has been sold in a way that tries to pull forward revenue into the 1992-93 financial year by offering discounts.

At a board meeting on Tuesday it was decided that as much as £8.5m in revenue should not be counted towards the 1992-93 revenues. At the same time its share of total ITV advertising revenue has dropped from 11.2 per cent to about 10.3 per cent. The target had been to boost it above 12 per cent, but this was always seen as very ambitious.

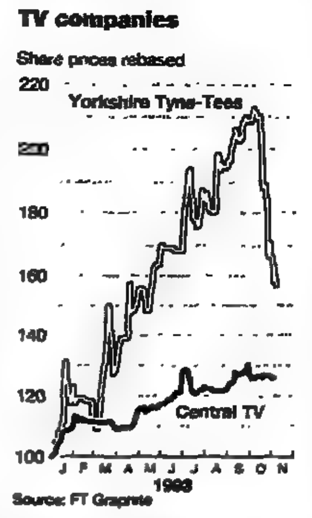
The pressure on Yorkshire has been on since the beginning of the year when the combined group started paying its bid price of £52.3m a year to the Treasury.

Ms Katherine Pelly, television analyst at stockbrokers Kleinwort Benson who issued a "sell" notice on Yorkshire on October 19, called yesterday for managerial changes at the top and said it would be "impossible" for the company to pay a final dividend.

There was no immediate sign yesterday that Mr Clive Leach, chairman and chief executive, planned to step down but there was still uncertainty over his long-term position.

The formal statement from Yorkshire, where Pearson, owner of the Financial Times has a significant stake, said that the lower than expected advertising revenue and exceptional costs relating to previously announced closures "is likely to result in the group reporting a loss" for the year.

TV companies



Source: FT Graphite

Some City estimates of the loss head towards £20m although it is likely that Yorkshire has made a good trading profit and that pre-tax losses are unlikely to be higher than £5m.

The pressure to disclose the shortfall in advertising revenue flowed from the replacement of the Yorkshire advertising sales house, Media and Airtime Sales, with Laser, which took over formally on October 1.

Laser is a wholly owned subsidiary of London Weekend Television which earlier this year bought a stake in Yorkshire. It is believed that Mr Greg Dyke, the LWT chief executive and a Yorkshire director refused to accept the additional revenue for the 1992-93 accounts.

The Yorkshire admission raises serious questions about how television advertising is sold in the UK and how the price is set.

Mr Tim Wootton, managing director of TSMS, the advertising sales house representing Central, Anglia and Ulster, said of Yorkshire's announcement: "This is horrific news in terms of the credibility of ITV as a whole. We are absolutely not in this position regarding any of our companies."

Embattled ICD loses £4.9m

INTERNATIONAL Communication & Data, the marketing services company, yesterday showed the impact of its recent reorganisation reporting pre-tax losses of £4.92m for the 15 months to May 31 compared with profits of £1.13m for the previous year, writes Catherine Milton.

The board does not recommend a dividend and says it will "strongly resist" resolutions to be put to shareholders at a special meeting requisitioned by a boarding party representing 12 per cent of the shares.

The resolutions propose the removal from the board of Mr David Cicurel, chairman, Mr Ralph Elman, finance director, and Mr Daniel Unger, a non-executive. The three would be replaced by nominees of the boarding party grouped within PSB, a direct marketing company.

ICD made exceptional debits of £4.14m in provisions against trade debtors. ICD also booked a write-down on assets and wrote off £983,378 in goodwill following the sale of its interest in Database Group.

Sales rose to £10.6m (£9.59m). Losses per share were 8.51p compared with earnings of 2.12p.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Finsbury Trust	int	1.2	Dec 16	1.2	-	3.2
Jersey Phoenix	int	1.25	Dec 30	1.25	-	5.25
Keystone Inv	fin	10.5	Dec 16	10	15.5	15
Kitty Little §	int	0.5	Dec 13	nil	-	1
M&S	int	2.5	Jan 21	2.2	-	[illegible]
Oceans Cons	int	0.5	Dec 10	nil	-	1.5
Sainsbury (J)	int	3	Jan 17	2.7	-	10
Scottish Metro	fin	1.1	Jan 7	nil	1.5	1.5

†On increased capital. §USM stock.

Pittencrieff notes share rise

Pittencrieff, the natural resources and communications company, said yesterday it had "noted the movement in the share price . . . over the past three trading days", writes Peter Pearse.

Shares rose from 374p on October 27 to 478p yesterday, before settling back at November 2's close of 473p.

The company also noted the "rumours concerning its 54 per cent holding in its US subsidiary, Pittencrieff Communications (PCI), whose share price has also risen on Nasdaq in the last few days".

Wigmore plans to raise £50m

By Philip Coggan, Personal Finance Editor

WIGMORE Property Investment Trust is attempting to raise up to £50m via a placing and offer-for-subscription of shares at 100p, with warrants attached on a 1-for-5 basis.

The trust will be managed by Baring Investment Management and will use Baring, Houston & Sanders as property adviser.

Wigmore will aim to outperform the FT-A Property Index by investing in shares and other securities of UK property companies with market capitalisations of less than £250m.

The principal holdings will be in property investment companies, but there will be some holdings in development companies and up to 20 per cent of the fund can be invested in special situations, such as joint ventures.

The 10 largest investments in the initial portfolio are expected to be: City Site Estates, Chesterfield Properties, The Ex-Lands, Hemingway Properties, London & Associated Investment Trust, Olives Property, Prior, Southend Property Holdings, Tops Estates and Town Centre Securities.

Institutional investors and some property companies have agreed to to subscribe for 19.36m shares in return for cash and/or securities.

In a separate deal, 3.06m shares are being subscribed for by property companies which have been given a cash election.

Under this arrangement, once sufficient funds have been raised, the property companies will receive cash, rather than trust shares, in return for their own shares.

LEGAL NOTICES

IN THE MATTER OF
WACE UK HOLDINGS LIMITED
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 27th October 1993 confirming the reduction of the issued capital of the above named Company from £84,382,850 to £66,880,850 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 1st November 1993.

Dated this 4th day of November 1993
Nabarro Nathanson
50 Stratton Street
London W1X 5FL
Solicitors for the above named Company.

LEGAL NOTICES

Dated, 26th October 1993
Company Number: 2092354
In the matter of:
FLP SECRETAN & CO LIMITED

Notice is given that pursuant to the Insolvency Act 1986, Section 98 a meeting of creditors of the above-named company will be held at One America Square, Crosswall, London EC3N 2LB on Wednesday 10th November 1993 at 3.00 pm for the purposes mentioned in the Insolvency Act 1986, Section 99, 100 and 101.

AGENDA

1. To consider a special resolution for winding up passed by the above-named company on 10th November 1993.
2. To consider a statement as to the affairs of the company together with a list of creditors of the company and the estimated amount of their claims.
3. To nominate a person to be liquidator for the purpose of winding up the affairs and distributing the assets of the company.
4. To consider the formation of and the appointment of members to a liquidation committee.

Proxies to be used at the meeting must be lodged with the company at its registered office at 246 Bishopsgate, London, EC2M 4PB not later than 12.00 am on 9th November 1993.

Further take notice that, for the purpose of voting, secured creditors must lodge at the registered office of the company before the meeting a statement giving particulars of their security, the date when it was given, and the value at which it is assessed.

A list of the names and addresses of the company's creditors will be available for inspection free of charge at the office of Pannell Kerr Forster, chartered accountants, New Garden House, 78 Hatton Garden, London ECIN 8JA on the two business days preceding the day on which the meeting of creditors is to be held.

By order of the board
Secretary

Dated: 26th October 1993
Company Number: 1331840
In the matter of
SECRETAN (UNDERWRITING AGENCIES) LIMITED

Notice is given that pursuant to the Insolvency Act 1986, Section 98 a meeting of creditors of the above-named company will be held at One America Square, Crosswall, London EC3N 2LB on Wednesday 10th November 1993 at 2.45 pm for the purposes mentioned in the Insolvency Act 1986, Section 99, 100 and 101

AGENDA

1. To consider a special resolution for winding up passed by the above-named company on 10th November 1993.
2. To consider a statement as to the affairs of the company together with a list of creditors of the company and the estimated amount of their claims.
3. To nominate a person to be liquidator for the purpose of winding up the affairs and distributing the assets of the company
4. To consider the formation of and the appointment of members to a liquidation committee. Proxies to be used at the meeting must be lodged with the company at its registered office at 246 Bishopsgate, London, EC2M 4PB not later than 12.00 am on 9th November 1993.

Further take notice that, for the purpose of voting, secured creditors must lodge at the registered office of the company before the meeting a statement giving particulars of their security, the date when it was given, and the value at which it is assessed.

A list of the names and addresses of the company's creditors will be available for inspection free of charge at the office of Pannell Kerr Forster, chartered accountants, New Garden House, 78 Hatton Garden, London, EC1N 8JA on the two business days preceding the day on which the meeting of creditors is to be held.

By order of the board
Secretary

Dated: 26th October 1993
Company Number: 1878714
In the matter of:
AHJ MEMBERS AGENCY LIMITED

Notice is given that pursuant to the Insolvency Act 1986, Section 98 a meeting of creditors of the above-named company will be held at One America Square, Crosswall, London EC3N 2LB on Wednesday 10th November 1993 at 2.30 pm for the purposes mentioned in the Insolvency Act 1986, Section 99, 100 and 101.

AGENDA

1. To consider a special resolution for winding up passed by the above-named company on 10th November 1993.
2. To consider a statement as to the affairs of the company together with a list of creditors of the company and the estimated amount of their claims.
3. To nominate a person to be liquidator for the purpose of winding up the affairs and distributing the assets of the company.
4. To consider the formation of and the appointment of members to a liquidation committee.

Proxies to be used at the meeting must be lodged with the company at its registered office at 246 Bishopsgate, London, EC2M 4PB not later than 12.00 am on 9th November 1993.

Further take notice that, for the purpose of voting, secured creditors must lodge at the registered office of the company before the meeting a statement giving particulars of their security, the date when it was given, and the value at which it is assessed.

A list of the names and addresses of the company's creditors will be available for inspection free of charge at the office of Pannell Kerr Forster, chartered accountants, New Garden House, 78 Hatton Garden, London, EC1N 8JA on the two business days preceding the day on which the meeting of creditors is to be held.

By order of the board
Secretary

No 009175 of 1993
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
AMBRIT INTERNATIONAL PLC
AND
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 21 October 1993 presented to Her Majesty's High Court of Justice for the cancellation of the share premium account of the above named Company.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London, WC2A 2LL on Wednesday the 17th day of November 1993.

Any creditor or shareholder of the Company desiring to oppose the making of an Order for the confirmation of the said cancellation of share premium account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under mentioned solicitors on payment of the regulated charge for the same.

DATED this 4th day of November 1993
Nabarro Nathanson
50 Stratton Street
London W1X 5FL
Tel: 071-493 9933
Ref: 1A/PWC/U120/20

NOTICE OF INTENDED DIVIDEND
IN THE MATTER OF
THE INSOLVENCY ACT 1986
and
IN THE MATTER OF
TRENT VALLEY
(AGRICULATURAL SUPPLIES) LIMITED.

NOTICE IS HEREBY GIVEN that it is my intention to declare a final dividend to unsecured non-preferential creditors of the above-named company no later than 25 November 1993. Creditors who have not yet done so are required, on or before 18 November 1993, to send their proofs of debt to the undersigned R A Stone & A R Stanway of Cork Gully, 43 Temple Row, Birmingham B2 5JT the joint liquidators of the company and, if so requested, to provide such further details or produce such documentary or other evidence as may appear to the joint liquidators to be necessary. A creditor who has not proved his debt by the date specified will be excluded from the dividend.

Dated 25th October 1993
Signed
for Joint Liquidators
R A Stone & A R Stanway
NOTE: The dividend is expected to be in the region of 10%.

PUBLIC NOTICES

SIDNEY SUSSEX COLLEGE, CAMBRIDGE

A memorial service for the late SIR EDWARD AUSTIN GOSSAGE ROBINSON M.A., C.M.G., O.B.E., F.B.A. will be held in Sidney Sussex College Chapel on Saturday 20th November 1993 at 2.30pm.

CLM INSURANCE FUND PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 2794968)

PLACING AND OFFER FOR SUBSCRIPTION

OF UP TO 110,000,000 SHARES OF 25p EACH AT 100p PER SHARE PAYABLE IN FULL ON APPLICATION

sponsored by

Barclays de Zoete Wedd Limited

SHARE CAPITAL

Authorised £	Authorised Number		Issued, and to be issued, fully paid* £	Number
30,000,000	120,000,000	Shares of 25p each	27,500,000	110,000,000

*on the basis that the Offer is fully subscribed

AVAILABILITY OF LISTING PARTICULARS

Listing Particulars will be available during normal business hours on any weekday (Saturdays and bank holidays excepted) from the date of this notice up to and including 12 November 1993 from:
Barclays de Zoete Wedd Limited, Ebbgate House, 2 Swan Lane, London EC4
Barclays de Zoete Wedd Investment Management Limited, Seal House, 1 Swan Lane, London EC4
CLM Insurance Fund plc, 143–149 Fenchurch Street, London EC3
Lloyds Bank Registrars, Issues Section, PO Box 1000, 2nd Floor, Bolan House, 80 Cheapside, London EC2
Listing Particulars will also be available from the CLM Insurance Fund Share Shop, Concourse Entrance, Lloyd's, One Lime Street, London EC3 during normal business hours on any weekday (Saturdays and bank holidays excepted) from the date of this notice up to and including 11 November 1993.

THE OFFER AND APPLICATIONS

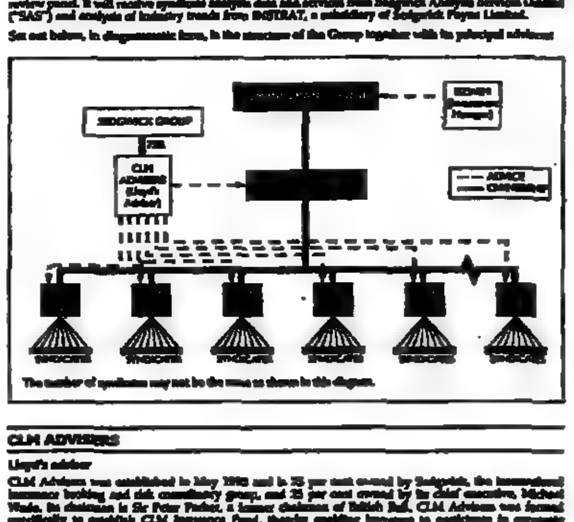
KEY INFORMATION

DIVIDEND POLICY

RISK FACTORS

THE OPPORTUNITY AT LLOYD'S

STRUCTURE OF THE GROUP



CLM ADVISERS

UNDERWRITING STRATEGY

INVESTMENT STRATEGY AND MANAGEMENT

DIVIDEND POLICY

DIRECTORS

TAXATION

OUTSTANDING LITIGATION AT LLOYD'S

PRINCIPAL RISK FACTORS

REPORT AND ACCOUNTS

TERMS AND CONDITIONS OF APPLICATION

HOW TO COMPLETE THE APPLICATION FORM

APPLICATION FORM — CLM INSURANCE FUND PLC

Offer by BZW of up to 110,000,000 Shares of 25p each in CLM Insurance Fund plc ("Shares") at 100p per Share, payable in full on application.

1 PLEASE USE BLOCK CAPITALS

Box 1
Forename(s) (in full)
Mr, Mrs, Miss, Ms or title
Surname
Minor's forename(s) (in full)
Surname Date of birth
Address (in full)
Postcode

2 I/We apply for Box 2 Shares

(or any smaller number of Shares for which this application is accepted) at the Offer Price of 100p per Share payable in full on application on the terms and conditions set out in the listing particulars of CLM Insurance Fund plc dated 3 November 1993 and subject to the Memorandum and Articles of Association of that company.

3 I/We attach a cheque or banker's draft for the amount in Box 3 made payable to "Lloyds Bank Plc – A/c CLM Insurance Fund plc" Box 3 £

DELIVERY OF APPLICATION FORM

Supermarket opening programme to continue at upwards of 20 a year

J Sainsbury rings up 11% rise

By Neil Buckley

THE FURORE surrounding J Sainsbury's announcement that it was cutting prices on 300 own-label lines obscured an 11 per cent rise in interim pre-tax profits to £434m.

The figures for the 28 weeks to September 25 were broadly in line with analysts' expectations but could not stop Sainsbury's shares falling 15p to 385p as the food retailing sector was hit by fears of a price war.

"These are really very good figures, which suggests that Sainsbury's was not forced into launching its price campaign because it was losing sales," said one analyst. "It has chosen to seize the initiative."

Group turnover increased 10.9 per cent to £5.87bn, with total sales in the UK up 9.1 per cent to £5.18bn.

Sales in the supermarkets division increased 8.9 per cent to £4.66bn, with existing stores contributing 1.8 points of the increase and new space 7.1 points.

Grocery inflation is running at about 2 per cent, which means underlying sales in Sainsbury's existing stores have fallen slightly since last year, but Mr David Sainsbury, chairman, said it was not a cause for concern.

"Underlying sales have been going up only slightly or going down slightly for the past 10 years," he said. "It's nothing new."

Supermarket operating profits rose 13.3 per cent to £391.1m.

Mr Sainsbury said the company planned to continue opening between 20 and 23 supermarkets a year, but admitted the company was unlikely to enjoy the sales growth it had in the past, increasing the importance of developing the other businesses.

Savacentre, the hypermarket operation, increased sales 7.2 per cent to £332.2m, with operating profits up 17.8 per cent to £19.1m. Sainsbury opened its first new Savacentre for three years this year and said it saw scope for expanding the chain from 10 stores to between 25 and 30.

Homebase, the DIY chain, increased sales by 14.7 per cent to £181.9m and operating profits by 31.6 per cent to £11.9m.

In the US, which Sainsbury now sees as an important avenue for expansion, the Shaw's supermarket chain lifted sales 4.2 per cent to $1.04bn, (£680m) with operating profits up 17.7 per cent to $25.2m.

Earnings per share increased by 9 per cent to 16.34p, with the interim dividend raised from 2.7p to 3p.

Search ends for new Clark chairman

By Peggy Hollinger

THE SEARCH for a new chairman to head C&J Clark, the private UK shoe company whose shareholders narrowly rejected a £184m takeover bid earlier this year, ended after four months yesterday with the appointment of Mr Roger Pedder, a non-executive director and Clark family member.

Mr Pedder's appointment, replacing Mr Walter Dickson, is expected to alleviate some of the tensions which have riven the family-owned company for some time and culminated in an attempt to sell C&J Clark earlier this year.

Family members rejected suggestions that his appointment had been fixed before the selection process began. "It was as fair and open as possible," said one. "It was just considered he had the (appropriate) retailing experience."

There remain some, however, who appear to be unhappy with the decision to appoint an insider. Mr Daniel Clark, a non-executive director and family member who argued vehemently for a sale, announced his resignation yesterday.

The role of the chief executive, Mr John Clothier, a family member who aroused considerable controversy by backing efforts to sell the company, now appears somewhat more secure since Mr Pedder's appointment.

Mr Pedder was one of five candidates. It is believed that one of those shortlisted was Mr Rudolf Agnew, former chairman of Consolidated Goldfields and now of TVS Entertainment.

The company is still searching for two non-executives, while a further two will be nominated by a shareholder council representing family interests. Clark's is 80 per cent owned by more than 500 family members.

The company, which has in recent years been hit by recession and hefty reorganisation costs, returned to the black for the first half with pre-tax profits of £6.4m (£4.1m loss). Sales grew from £300.7m to £322.1m.

Roxboro 12.9 times subscribed

By Paul Taylor

THE PLACING and offer for sale of shares in Roxboro, the Newmarket-based manufacturer of specialist electronic components, was completed yesterday with the offer 12.9 times subscribed.

Under the placing 14.1m shares at 230p each were placed firm with institutional and other investors by Samuel Montagu.

Valid applications totalling 98m shares were received for the balance of 7.61m shares offered for sale to the public and the basis of the allocation is: between 200 and 2,000 shares, weighted ballot for 200 shares; 2,500 to 10,000 shares, 8 per cent of application; 15,000 shares, 800 shares; 20,000 to 400,000, 5 per cent of application; more than 400,000, nil.

Nu-Swift acquisition

Nu-Swift has acquired the assets and business of Doral Ocean Beach Resort, a 420-room hotel in Miami Beach, Florida, for $27.25m (£18m), through a joint venture with Reserve Hugo.

The venture is committed to spending at least $3m on a refurbishment programme.

Scottish Metropolitan makes £26.8m cash call

By James Buxton, Scottish Correspondent

SCOTTISH METROPOLITAN Property, the property investment company which incurred a heavy loss in 1991 and fired its managing director, is to raise £26.8m through a rights issue.

The company reduced its property portfolio in the last 18 months to cut borrowings, but now intends to expand again with acquisitions of about £5m each in Scotland. It has abandoned speculative development which led it into loss.

ScotMet incurred a pre-tax loss of £1.78m in the year to August 15 1993 on the basis of FRS 3 accounting which it has now adopted. This compares with a loss of £3.91m on a restated basis for 1992.

Net asset value per share was 82.4p, compared with 108.1p a year earlier, reflecting a deficit of £21.33m on valuation of investments at August 15 1993, and a one-off adjustment of £5.63m because of the accounting policy change.

A final dividend of 1.1p per share (nil) making an unchanged 1.5p for the year is propopsed.

After selling property worth £31.1m in the 1993 financial year, ScotMet last month sold Saltire Court in Edinburgh for £53.1m, a £6.5m surplus on book value.

Mr Scott Cairns, managing director, said that the sale unlocked the company's new strategy and enabled it to have a "voluntary refinancing."

ScotMet's rights issue is on the basis of 1-for-3, priced at 85p each, a 20 per cent discount to Tuesday's closing price of 105p. Irrevocable acceptances have been received for 44.7 per cent, and the balance is underwritten by Kleinwort Benson.

The rights issue and the Saltire Court sale will leave ScotMet with borrowings of £68.6m compared with £170.3m in August 1992. Instead of borrowing from 18 banks, bank debt will be £5m and the company has arranged a £57m facility from 10 UK banks.

COMMENT

The rights issue is the only way forward for ScotMet which strayed disastrously from investing in existing properties, mostly in Scotland, into speculative developments of inappropriate scale. Saltire Court brought prestige but accounted for 20 per cent of its assets and took ages to fill up. The fall in nav per share disappointed the market and with the rights issue news, the shares dropped 9p to 96p. But property values are rising and earnings per share next year could be 2.75p. That would give a prospective p/e of about 35, roughly in line with the sector. The new ScotMet is not going to be exciting but should be more reliable. The rights should be taken up.

Allders offer for sale oversubscribed

THE OFFER for sale for Allders, the department store and duty-free retailer, has closed oversubscribed. Details of the basis of allocation are expected today, writes Maggie Urry.

The offer consisted of a placing of 50.7m shares, 65 per cent firm with institutions, and the rest – 17.76m shares – subject to clawback through the public offer. There were over 45,000 requests for prospectuses from the public. Demand from retail investors is expected to trigger the clawback in full.

The issue price was 170p.

NEWS IN BRIEF

DENMANS ELECTRICAL has acquired Palmer Riley & Company, an electrical wholesaler and control gear distributor, from Mr Richard Walton, who will continue to run the company within the Denman group for at least the next 12 months. The consideration is £740,000 in cash.

NORBAIN ELECTRONICS has changed its name to Norbain Plc. An internal reorganisation will mean the transfer of distribution activities from Norbain to a new subsidiary, Norbain SD, and leave the company with three principal trading subsidiaries.

BOWLINSON SECURITIES, Cheshire-based property group, has acquired York Place shopping centre in Newcastle-under-Lyme for £2.9m cash. The purchase involved the acquisition of both a long leasehold interest from the Co-operative Insurance Society and the freehold interest from the Local Authority.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims- Alphameric, Boots, First Ireland Inv Co, Serk, Westbury.

Finals- Euromoney Publications, Low (Wm), MMT Computing, Smart (J) Contractors.

FUTURE DATES

Interims-	
AOT	Nov 10
BOC	Nov 16
British Bio-Technology	Dec 1
Business Post	Nov 11
Critchley	Nov 15
Cropper (James)	Nov 22
Drayton Korea Inv Tst	Nov 12
National Grid Holding	Nov 25
Pilot Inv Tst	Nov 10
Powell Duffryn	Nov 22
Sidlaw	Nov 16
[illegible]	Nov 12
[illegible]	Nov 11
Thorn EMI	Nov 23
Finals-	
East Midlands Electric	Dec 7
Fenner	Nov 16

PUBLIC WORKS LOAN BOARD RATES

Effective November 5

	Quota loans*		
Years	EP†	AP††	Maturity§
1			5⅝
Over 1 up to 2	5½	5½	5⅞
Over 2 up to 3	5¾	5¾	6⅛
Over 3 up to 4	6	6	6¼
Over 4 up to 5	6⅛	6⅛	6⅜
Over 5 up to 6	6¼	6¼	6⅝
Over 6 up to 7	6⅜	6⅜	7⅛
Over 7 up to 8	6½	6½	7¼
Over 8 up to 9	6⅝	6⅝	7⅜
Over 9 up to 10	6¾	6⅝	7½
Over 10 up to 15	7¼	7⅜	7⅝
Over 15 up to 25	7⅝	7¾	7¾
Over 25	7⅝	7¾	7⅝

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Prices for Trading on 01/11/93: Pool purchase price £/MWh	Final Prices for Trading on 31/10/93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	19.07	18.04	18.04
0100	20.91	18.04	18.04
0130	24.19	18.05	18.05
0200	24.16	20.83	23.77
0230	24.18	20.83	23.77
0300	20.91	20.83	23.77
0330	18.04	20.83	23.77
0400	18.05	18.07	18.07
0430	18.04	18.04	18.04
0500	18.04	18.04	18.04
0530	18.08	18.08	18.08
0600	18.11	18.08	18.08
0630	18.11	18.07	18.07
0700	24.87	23.72	26.65
0730	24.46	25.12	28.08
0800	24.87	26.65	29.79
0830	24.87	26.86	29.91
0900	25.46	26.86	29.83
0930	27.64	26.69	29.65
1000	27.64	26.89	29.84
1030	27.64	26.89	29.84
1100	27.64	26.69	29.66
1130	28.29	31.45	34.39
1200	28.23	32.46	35.43
1230	28.33	32.45	35.42
1300	28.33	32.42	36.39
1330	25.46	26.65	29.79
1400	25.40	26.05	28.89
1430	25.46	25.39	28.33
1500	25.46	25.39	28.33
1530	25.46	25.39	28.33
1600	25.19	25.40	28.34
1630	35.57	27.43	30.39
1700	32.32	32.91	35.89
1730	42.64	32.91	35.89
1800	42.45	32.67	35.63
1830	26.77	30.66	33.69
1900	30.19	35.29	38.35
1930	29.50	35.30	38.35
2000	27.87	35.06	38.07
2030	26.72	34.66	37.61
2100	24.91	26.04	28.98
2130	24.87	24.92	27.86
2200	24.87	24.92	27.86
2230	24.05	24.69	27.62
2300	23.46	23.72	26.65
2330	18.24	21.61	24.06
2400	18.04	16.12	16.12

[illegible]

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FT-ISMA INTERNATIONAL BOND SERVICE

THE FT-ISMA International Bond Service, published on Monday to Friday in the Financial Times, shows daily prices, provided by the International Securities Market Association, for a selection of the most actively traded Eurobonds and related securities, picked from the sectors which best represent current market conditions.

The service sets out to include certain "benchmark" issues within the space available, while still trying to maintain a broad spread of borrowers and currency groups.

Selections are reviewed regularly by the Financial Times and the International Securities Market Association.

Rhino pays £12.5m for Virgin Games Stores

By Paul Taylor

RHINO GROUP, the fast-growing computer and video games retailer, is paying £12.5m in cash to acquire Virgin Games Stores, the joint venture UK retailer owned by Richard Branson's Virgin Group and WH Smith.

The purchase, which includes £3.5m for the stock, will be funded by Rhino through a 5-for-9 rights issue priced at 44p a share to raise £12.4m net. The deal will combine the two biggest specialist computer and video games store chains in the UK.

Rhino already has 34 stores, trading as Future Zone, while Virgin Games Stores has 29 in the UK and one in the Irish Republic. In the year to May 31 the Virgin operations, which had net assets of £4.3m, generated £2m in profits before central overheads on turnover of £24.3m.

The deal will enable the USM-quoted Rhino Group, launched 13 months ago when Mr Bev Ripley and Mr Terry Norris – former directors of Cityvision, the Ritz video hire shops operator – took control of JMD Group, to accelerate its own development plans which set a target of 130 stores in three years.

The purchase and the rights issue, which is fully underwritten by Panmure Gordon, are subject to shareholder approval at an extraordinary meeting on November 19.

Dealings in Rhino's shares, which were suspended on Tuesday at 58¼p pending the announcement, are expected to recommence on November 22.

Mr Ripley, Rhino's chairman, said yesterday that the two operations were "a near perfect fit" and would enable Rhino to have 75 specialist computer games stores operating in the important pre-Christmas trading period.

The deal will also allow the Virgin Retail division to concentrate on building the Virgin Megastore multi-product retail chain. Virgin's 21 existing Megastores already sell computer games in addition to music and videos.

Terry Norris, Rhino's managing director (left), and Bev Ripley: the two operations are a near perfect fit

Lincoln House to eliminate debt through £2m placing

By Peter Franklin

LINCOLN HOUSE, the USM-traded home furnishing group, is to raise some £2m net of expenses via a placing and open offer and subscription.

The company is issuing 9.07m shares at 25p apiece. Of these, 8.07m have been conditionally placed – subject to the rights of shareholders to apply for their entitlement on a 1-for-2 basis under the open offer – and 1m are to be issued pursuant to the subscription.

The proceeds will be used principally to eliminate net borrowings and provide additional working capital.

Because the nominal price of the company's shares at 50p exceeds the 25p placing price, to enable it to proceed with the placing and avoid having two separately listed classes of shares, the company proposes a capital reorganisation.

The first stage of this will involve a sub-division of its shares into one new ordinary share with a nominal value of 10p and one deferred share with a nominal value of 40p.

The resulting new ordinary shares will, for all practical purposes, have the same rights attaching to the issued ordinary shares of 50p each.

The deferred shares will be valueless and no share certificates will be issued in respect of them.

In the second stage all the deferred shares will be cancelled for no consideration and the share premium account following the fund raising issue will also be cancelled.

The amount set free will be used to eliminate the deficit on the profit and loss account and to create a special capital reserve against which goodwill arising from any future acquisitions may be set off.

The company also proposes to adopt a new share option scheme to replace its existing executive scheme.

Blagden shares dive 26p after warning

By Gary Evans

SHARES IN Blagden Industries, the packaging and chemicals group, tumbled 26p to 138p yesterday after the company warned that profits for the current year were unlikely to exceed £2.5m.

The decline from the previous year's £7.63m reflects the intense competitive pressures on the steel drum business within the group's packaging division.

Blagden said trading conditions for the first half of 1993 had remained substantially unchanged from those of the second half of last year.

However, since the announcement in August of halved interim profits of £3m, prices of steel drums had fallen in Germany and this had led to significant price reductions across Europe.

The company added that with the extra burden of the increased price of steel (up about 4 per cent in the third quarter of 1993) operating margins had been eroded.

This was, however, in common with its competitors in the European drum market, where Blagden is a leading player in an industry burdened by overcapacity.

In contrast, both the chemicals and protective equipment divisions continued to trade well.

Blagden said it had identified further cost-cutting measures and a number of business initiatives to improve longer-term profitability.

At the interim stage, the company stressed the need for "prudent husbanding" of resources, in cutting the dividend from 4.8p to 1.5p.

Keystone assets jump

Net asset value per share of the Keystone Investment Company surged over the 12 months to September 30 1993 from 434.87p to 589.74p.

Net revenue increased to £2.92m (£2.16m), giving earnings per share of 20.49p (15.14p). The dividend is stepped up to 15.5p (15p) with a final of 10.5p (10p).

Morgan Grenfell Equity Trust to raise £24m

By Philip Coggan, Personal Finance Editor

MORGAN Grenfell Equity Income Trust, a UK investment trust, is attempting to raise about £23.8m, after expenses, via an offer for subscription of C shares.

The directors say that, in their opinion, "the UK economic outlook currently provides attractive opportunities for investment" and therefore "now is an appropriate time to expand the capital base of the company." The trust, which was floated in October 1991, was second in the UK income growth sector over the year to November 1.

Issuing C shares is now common practice among investment trusts which want to expand their capital. The C shares will be convertible into ordinary shares after January 7; by waiting to convert until the proceeds are substantially invested, there is no dilution of the net asset value of existing ordinary shares.

Up to 25m C shares are on offer at 100p; the minimum investment is £1,000. Irrevocable undertakings to buy 8m shares have been received. The offer closes on November 23.

Kitty Little purchase as profits double

SHARES IN Kitty Little Group rose 10p to 31p yesterday as the USM-quoted designer and manufacturer of consumer goods reported pre-tax profits more than doubled from £26,000 to £54,000 for the first half of 1993.

It also announced the acquisition of Samco, the market leader in branded sunglasses, for up to £2.85m, and a proposed share issue to raise about £2m to fund the acquisition and provide increased working capital.

Turnover for the period fell slightly to £2.48m (£2.69m).

Earnings per share worked through at 0.53p (0.06p) and the group is paying an interim dividend of 0.5p (nil), with a forecast final of not less than 1p.

Mr Graham Webster, chairman, said the acquisition should double group turnover, which, together with planned overhead savings, should have a profound impact on the group's future performance.

NEWS IN BRIEF

AUDAX PROPERTIES: Pre-tax profits for half year to September 30 were £219,000 (£179,000 losses) after £145,000 gain (£387,000 loss) on disposal of properties. Earnings per share on investing activities 90p (278p). Audax is wholly-owned subsidiary of Value and Income Trust.

GRASEBY has sold Graseby Plastic Systems to Desco Industries for $2m (£1.3m) in line with its strategy of focusing its activities on its medical, product monitoring and environmental markets. Plastic Systems had $4.1m sales and $0.3m pre-tax profits in 1992.

MINMET, the Dublin-based environmental resource company, is to acquire Chartwell Forestry Services, an Irish forestry business, for I£300,000.

NORTH WEST Water consortium has signed a £160m (Bt6.4bn) contract with the Thai government to provide a waste water network and treatment facility for 700,000 people in central Bangkok. The four-year design, build and operate contract is the first stage of the programme to tackle the city's pollution problems. The company and its partners – Siam Syntech Construction, Sino-Thai Engineering & Construction and OTV – overcame strong oppositon from seven consortia to secure the contract.

Oceana back in the black

THE OCEANA Consolidated Company, which has interests in stockbroking and finance, reported a pre-tax profit of £877,000 for the half year to end-September.

The outcome compared with a deficit of £158,000 last time and was struck on turnover up from £4.79m to £6.29m.

A maiden interim dividend of 0.5p is declared, payable from earnings of 7.28p per share (2.43p losses).

The directors said the improvement in profits reflected a continuing strong contribution from Charles Stanley, the stockbroker, its principal subsidiary.

Trading in the second half had opened on a firm note, the directors added, although it was too early to predict the outcome for the full year.

Greenwich Comms loss at £65,300

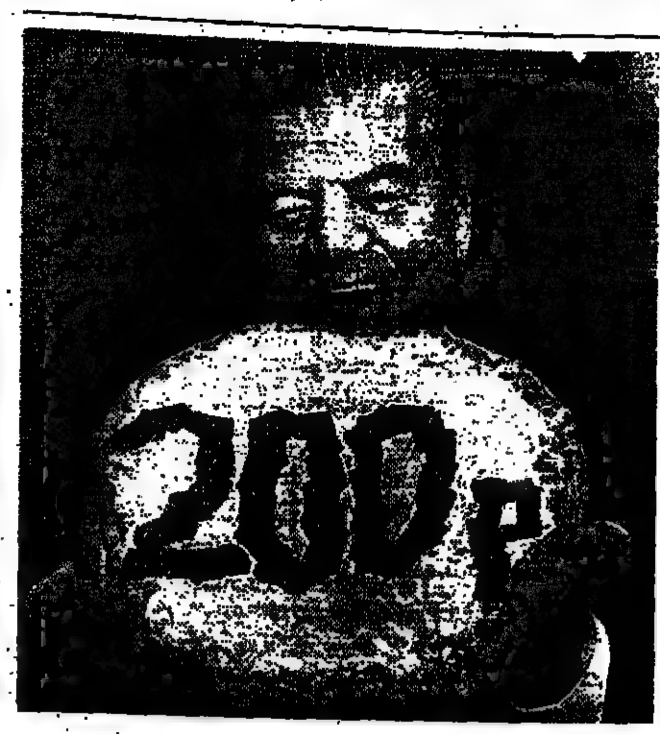
Greenwich Communications, the USM-quoted supplier of satellite receiving equipment, reported a slight increase in pre-tax losses from £57,500 to £65,300 in the year ended August 31, 1993.

Turnover dropped from £421,700 to £261,800, while at the attributable level, after minorities, losses were cut to £59,700 (£63,000) or from 0.9p to 0.85p per share.

Mr Alfred Stirling, chairman, said that the Portuguese offshoot, Greenwich Satellite Portugal LDA, was still suffering from recession.

In addition, NEC had decided to withdraw its satellite receiving products during the year, but Greenwich was now awaiting the introduction of a new product at the end of the year.

Possible litigation from former director Mr J Carrad and his wife, relating to the company's investment in DRL Communications – now in receivership – had not progressed much further, Mr Stirling said. An extension of time had been granted to them, but full particulars of their claim had still not yet been served.



Harry Kent: deputy chairman and one of the founders of Canadian Pizza which announced a flotation price of 200p

Canadian Pizza to float with £34.5m valuation

By Catherine Milton

A PRICE of 200p a share was fixed yesterday for the flotation of Canadian Pizza valuing the pizza crust maker at £34.5m, almost £5m more than estimated last month but £10m less than originally indicated by the company's advisers in September.

Mr Peter Woodall, managing director, insisted that a cost of £1m for the £22.2m issue represented value for money.

Advisers said Mr Harry Kent, deputy chairman of the company and one of its founders, as well as other shareholders, had been reluctant to see their holdings diluted "unnecessarily".

Partly for this reason a factory the company was planning to build in continental Europe would now be funded from cash generated internally and debt. This accounted for the fall of £10m from the first company valuation.

The Kent family, the largest shareholder, will have an 18 per cent interest after the float, a reduction from 19.5 per cent.

The second valuation discrepancy was a function of strong institutional demand for the shares.

Dealings in the shares are expected to start on Friday November 19.

On forecast pro-forma pre-tax profits of at least £3.35m (£2.21m) for 1993, the issue price gives a notional p/e of 15. The board expects to recommend a final dividend of not less than 3.6p.

The total 5.9p dividend the directors would have recommended for the year ending December 1993 would give a gross yield of 3.7 per cent. Pro-forma earnings per share are 13.3p.

Of the 11.1m shares, 68 per cent are being placed firm with institutions and the balance of 32 per cent are being placed subject to clawback from the public offer for sale.

The last date for applications will be November 10.

● COMMENT

The curious saga of Canadian Pizza's varying market capitalisation suggests management's awareness of the attractions of the business in an internationally consolidating food industry. The company's relatively high pre-tax margins – 14.5 per cent last year going on 17 per cent this year – makes its growing niche vulnerable to invasion by bigger rivals. CP's biggest customers are the stingy supermarkets which account for 50 per cent of sales. But 84 per cent of the company's profits come from crusts, a mere 12 per cent of a chilled pizza's retail selling price. The rating, at a 14 per cent premium to the sector excluding Unilever, represents a fairly full price which limits scope for any significant premium.

ICI fails to agree BASF acrylics acquisition

By Daniel Green

ICI's efforts to build a Europe-wide acrylics manufacturing empire collapsed yesterday when talks over acquiring BASF's German acrylics business collapsed.

Parallel talks on the sale of ICI polypropylene capacity to BASF are unaffected, ICI said yesterday.

The two sides are understood to have disagreed over the valuation on the acrylics business, which has a turnover of about £60m a year.

Such chemical sector valuations are notoriously difficult especially during a recession: profits are low or negative, but recovery is in prospect. The failure to agree on a deal is a blow to ICI's plans to buy acrylics capacity in Germany but it makes only a small dent in the company's worldwide acrylics business which has sales of more than £500m.

ICI has already this year added the acrylics side of US chemicals company Du Pont to its portfolio. Du Pont's acrylics side had turnover last year of about £200m. The assets, stock and goodwill of the business, which is profitable, was estimated at £180m-£190m.

Lloyd's trusts find favour with institutions

By Richard Lapper

LLOYD'S investment trusts issuing prospectuses yesterday reported strong backing from institutional investors for their plans to raise corporate capital for the insurance market.

Two of the funds – CLM Insurance Fund and Masthead Insurance Underwriting – scaled down the size of their capital raising efforts because of difficulties in obtaining sufficient capacity on "good quality" Lloyd's syndicates.

The London Insurance Market Investment Trust (Limit), sponsored by Samuel Montagu and James Capel, successfully raised £280m for a fund which will provide £480m in capacity for 98 syndicates.

Sir Laurie Magnus, a director of Samuel Montagu, said: "It's firmly in the bag". The issue was fully subscribed, although £70m was placed subject to a clawback provision which will allow Limit to satisfy applications under the retail offer.

CLM Insurance Fund, which is supported by Sedgwick Group and Barclays de Zoete Wedd, placed 80m shares and offered a further 30m shares for subscription in an issue designed to raise £105.7m.

CLM scaled down its plans to raise up to £200m because of problems in finding sufficient capacity on good quality Lloyd's syndicates.

Lord Rees, chairman, said the "the fund was large enough to provide a good spread of syndicates across a range of leading managing agents – yet small enough to ensure we can be selective on behalf of our corporate members."

Masthead Insurance Underwriting, an investment company sponsored by Hambros Bank, said it had fully placed an issue designed to raise £43m with institutional investors. Masthead is providing £75m in capacity for between 20 and 25 syndicates.

"We are delighted with the support we have received from institutional investors," said Sir Jeffrey Bowman, chairman. Institutions would have supported the £50m offer originally intended by Masthead. This had been scaled down to take into account the "availability of underwriting capacity of the requisite quality," added Sir Jeffrey.

Ashley Ashwood

Michael Wade, chief executive of CLM, opening up shop

Fenchurch pathfinder reveals strong profit growth

By Richard Lapper

FENCHURCH, the insurance broker which plans a stock market flotation later this month, yesterday published its pathfinder prospectus and reported a strong increase in profitability.

Operating profits from continuing operations increased by 44 per cent to £6.9m in the year to September 30.

Interest payable on some £19.5m of debt – which will be repaid with the proceeds of the flotation – and losses of £818,000 at the Lloyd's agency business, which is to be demerged, depressed pre-tax profits to £4.56m (£2.96m).

The group is planning a placing and intermediaries offer and will issue listing particulars on November 17.

Dealings are expected to begin on November 26.

JO Hambro Magan is acting as financial adviser to Fenchurch and James Capel is sponsor and underwriter of the issue.

Turnover from insurance broking increased to £28.4m (£25.3m), offsetting a fall in investment income to £1.95m (£2.39m).

Turnover at the Lloyd's agency business fell to £2.83m (£3.84m).

Operating expenses in broking increased to £23.2m (£22.9m) and to £3.65m (£3.23m) in the demerged agency business.

Profits on ordinary activities before interest payable rose from £5.49m to £6.15m. Interest payable fell to £1.59m (£2.53m).

Earnings per share improved from 7.3p to 12.9p, or adjusted, to 16.5p (5.5p).

Opec optimistic as oil prices fluctuate

By Robert Corzine

OIL PRICES fluctuated widely yesterday although traders were at a loss to point to any single factor which was unsettling the markets. Brent Blend for December fell at one point to $15.60 a barrel before recovering in late London trading to $16.20.

The uncertainty in the markets prompted optimistic comments from officials of the Organisation of Petroleum Exporting Countries. Mr Jean Ping, Opec president and energy minister of Gabon, said the September agreement to keep the production ceiling at 24.52m barrels a day was being maintained and should lead to stronger prices by the middle of November.

A survey by the Reuters news agency completed on Tuesday estimated Opec's October production at 24.67m b/d, a level which most analysts say should not substantially undermine prices.

But one oil company trader in London yesterday still saw "more reasons for prices to go down than up". He said that although Opec members appeared to be abiding by the agreement, the over-production which had previously plagued the organisation had been replaced by sharply increased North Sea production, which at 500,000-600,000 barrels a day was equivalent to a "mini-Opec state coming onstream".

Opec ministers counted on the onset of the northern hemisphere winter to boost demand and prices when they set the latest quota. But analysts said there were so far few signs of that demand materialising.

Mr Jeremy Hudson, research director at Lehman Brothers Securities in London, cited statistics showing that US demand for refined products fell by 1.5 per cent in October despite growing signs of stronger economic recovery. Demand estimates for Europe and Japan were "being consistently chipped away". He said the market volatility could be seen as a return "normal" conditions after 18 months of relative stability.

Another factor continuing to worry traders is the prospect that Iraq will reach agreement with the United Nations on the resumption of oil exports. There is little possibility of Iraqi oil's finding its way on to international markets until well into 1994, but it is "a terrible uncertainty" which is unsettling the markets, according to Mr Peter Gignoux, head of the energy desk at Smith Barney in London.

Warning over Saudi output

By Robert Corzine

SAUDI ARABIA, which has the world's largest proven oil reserves, will need to invest at least $18bn before 2000 to reach and maintain capacity of about 10m barrels a day, according to a report published yesterday.

The London-based Centre for Global Energy Studies, which was founded by Sheikh Ahmed Zaki Yamani, the former Saudi oil minister, believes the Kingdom will be easily able to expand its current capacity of 9.6m b/d to the 10m b/d level by next year if the government chooses. But maintaining it at that level will be more costly, it says.

Dr Manouchehr Takin, the report's author, said present Saudi spending plans suggested that the kingdom's additional capacity this decade will come almost solely from existing oil fields. But these will require substantial capital investment in order to maintain production levels, including the installation of costly gas or water injection systems.

Operational costs in Saudi oil fields also appear to be higher than international norms, according to Dr Takin. The report notes that the need to maintain such high levels of spending, which will not add significant amounts to the country's oil production capacity, coincides with growing budgetary pressures within Saudi Arabia, brought about in part by large defence outlay.

The report says there is little likelihood of new fields, such as the giant Shaybah field near the Abu Dhabi border, being developed in the near future because of their remoteness and lack of infrastructure to bring the oil to terminals.

A growing Saudi dependence on older fields means the country will lose its ability to quickly make up for a sudden loss of output in other producing countries, as it did when Kuwait was invaded by Iraq.

Oil Production Capacity in the Gulf Vol II: Saudi Arabia; Centre for Global Energy Studies; 17 Knightsbridge, London SW1X 7LY; $10,000

W Europe gas needs 'to rise 60%'

By Karen Fossli in Oslo

WESTERN EUROPE'S demand for natural gas is forecast to rise to 400bn cubic metres by 2010 from 250 bcm in 1990, according to Statoil, the Norwegian state oil company.

Mr Peter Mellbye, Statoil's president of natural gas, said Eastern Europe would require about 100 bcm of gas on top of the west's 400 bcm. But he said that if Europe's current economic climate continued, his projection would be too optimistic.

Presenting the forecast at a gas conference in Brussels, Mr Mellbye said Norway's gas export commitments to Europe would increase rapidly over coming years, reaching a plateau of 51 bcm annually, nearly double the current annual export level of 27 bcm.

"Gas delivered to Europe covered by Norway's Troll sales agreement will reach a plateau level of 18 bcm annually around the year 2000 and be sustained for 20 years."

Mr Mellbye's forecast assumed annual European gross domestic product growth rates at about 2-3 per cent, Brent blend reference oil prices at $20 a barrel, low inflation and stable exchange rates, and also that gas sustained its current competitive position against alternative fuels.

He said the European demand forecast was driven mainly by economic growth, which would lead to increased gas demand in the industrial and residential sectors.

An implicit result of Statoil's forecast assumptions is that gas will continue to capture market shares from competing fuels. "Until now, this process has been most harmful to the market for fuels, heavy fuel in particular," Mr Mellbye said.

"There seem to be new opportunities emerging for gas suppliers after the turn of the century. A substantial part of the growth in future demand [for gas] is forecast to materialise in [Europe's] southern markets," markets farthest away from Norway's gas resources.

Germany insists on farm price protection

By Deborah Hargreaves

THE GERMAN government called for the EC to reinstate the controversial "switchover" mechanism for converting "green" money rates into national currencies yesterday at a conference on the crisis in the agrimonetary system.

"Switchover" protects farmers in strong currency countries such as Germany from cuts in prices because of currency fluctuations.

"Neither Germany, nor any other country whose currency is or may come under pressure of revaluation, will accept any system which results in abrupt reductions in institutional prices and amounts," said Mr Erhard Schwinne, head of currency affairs at the German agricultural ministry, at the conference, organised by Agra-Europe.

The EC Commission froze "green" exchange rates on September 9 to shelter farm trade from the exchange rate upheaval caused by the shake-out in the European Monetary System in August.

Mr Schwinne said the switchover could be adapted to the current regime of floating currencies without imposing additional costs on the EC Budget.

But Mr Jean-Marc Gazagnes, who manages agrimonetary affairs at the EC Commission, said switchover cost Ecu350m a year for each percentage point reevaluation in currency rates.

EC agriculture ministers are due to meet on November 16 to decide on reforms to the agrimonetary system. Commission proposals advocate a move away from the "switchover" mechanism which essentially protects German and Dutch farmers from price cuts by inflating prices to all farmers in the community.

The commission's proposal for increasing the distance that "green" rates must move before they are revalued would cost Ecu75m, Mr Gazagnes said. He also said its proposals would help farmers by speeding up compensation payments.

Food industry representatives called on agriculture ministers to find some way out of the current stand-off. They criticised the commission's decision to freeze green rates in September.

Ms Joan Noble, a sugar industry consultant, told the conference the commission's action had been "arbitrary" and ran counter to the aim of establishing free trade in the internal market.

Futures firm fined $2m for hiding cattle trades

By Laurie Morse in Chicago

THE US government has fined a prominent Memphis futures trading firm $2.22m for concealing the fact that it controlled huge blocks of orders in the Chicago Mercantile Exchange's live cattle futures pits during most of 1991.

The Commodity Futures Trading Commission stopped short of barring the company from trading, an act that analysts say could have dealt a death blow to the CME cattle contract.

In an administrative complaint, the Commodity Futures Trading Commission said McVean Trading and Investments, under the direction of its officers, doctored reports it sent to the CME and the CFTC to disguise the fact that it consistently controlled as much as 25 per cent of the open positions in the cattle market for a period of at least a year.

The exchange and the CFTC impose strict limits on the size of any individual position in US futures markets, to avoid the danger of market manipulation. The CFTC complaint said McVean's positions were sometimes 10 times the allowable limits.

The company maintained those positions by falsely reporting ownership of trades and trading accounts, both of which violate CME rules.

Although the agency did not accuse McVean of market manipulation, the extremely large positions detailed in the CFTC's complaints were taken during a rally in the cattle market, and were often concentrated in contracts that were close to delivery, when volume is relatively thin.

The complaint, which McVean and six of its officers and employees chose to settle without admitting or denying responsibility, highlights a dilemma faced by the CME and to a lesser extent, the CFTC.

The CME detected the McVean's bogus accounting and issued a "cease and desist" warning in February, but failed to take stronger action despite the threat these very large positions might have posed to market integrity.

Barring McVean from the market could have weakened a product the exchange has been doing its best to preserve. Live cattle is the CME's biggest agricultural contract, but has gradually been losing volume.

The loss of what traders call a "major player" such as McVean would have reduced liquidity and market viability.

"I don't like to hear about these things, because I am concerned about the sanctity of the contract," said one long-time livestock analyst. "However, I wouldn't be happy if it forced McVean out of the market. They add volume."

The CME said only that it co-operated with the CFTC. McVean is a family-owned futures firm, which manages about $75m in customer accounts as well as its own positions.

● Cocoa producers called on the European Community to abandon a plan to allow more non-cocoa fat in chocolate and urged Indonesia to join production management efforts, *Reuter reports from Abidjan.*

The head of the Cameroon delegation to the Cocoa Producers Alliance said if the EC allowed more non-cocoa fat in chocolate it could lead to a fall of 200,000 tonnes of cocoa a year in the European market.

Biffex takes first step in revamp

By Deborah Hargreaves

THE BALTIC Freight Index, which provides the basis for the Biffex freight futures contract traded on the London Commodity Exchange, was adjusted yesterday to exclude some smaller ship sizes.

The weightings of some shipping routes included in the index were also increased.

Mr Philippe van den Abeele, Biffex marketing director, said the shipping market wanted the change to the index "to provide a closer relationship between the BFI and a more specific sector of the dry bulk shipping market".

He said the change would streamline the index as a first step towards revamping the futures contract, which has seen volume drift down to an average of 200 lots a day.

Mr van den Abeele, who took up his appointment this week, is on 6 months' secondment from Clarkson Wolff, the shipping futures firm. He hopes increase volume in the contract to 500 lots a day by the end of next year.

The changes to the index were announced in January and came into force yesterday.

State control still leaves bitter taste

Ukraine's status as a top five sugar producer is in danger, says Jill Barshay

UKRAINE'S status as one of the world's five biggest sugar producers is in jeopardy unless the state relinquishes control of the industry.

Plagued with financial problems, energy shortages and a dearth of machinery and spare parts, sugar growers cannot count on a repeat of this year's good weather to maintain the country's largest cash crop.

Ukraine's sugar beet crop is up 48 per cent this year, at 40m tonnes, but it is still unclear if Ukraine's farmers will be able to harvest the large crop to produce 4.5m tonnes of sugar before the ground freezes in the middle of this month.

Only 60 per cent of the harvest was gathered by the end of last week. Heavy September rains delayed the harvesting by two weeks.

In a country beset with hyperinflation and a worthless paper currency, Ukraine must barter its resources for imports. With 2.5m of tonnes sugar satisfying the sweet teeth of 52m Ukrainians, the expected additional 2m tonnes is primarily sold to other states within the Commonwealth of Independent States.

Sugar exports are Ukraine's primary means of buying desperately needed energy supplies from Russia, to which it already owes $2.5bn for gas and oil. Ukraine also sells its sugar to Turkmenistan for gas, to Uzbekistan for cotton and tobacco and to Belorussia for consumer goods.

Since last year's miserable harvest of 28m tonnes of beets, Kiev's communist-oriented government has been under pressure to stimulate sugar production. Inclined toward command economy formulas, the government issued huge amounts of credits and subsidies to growers over the summer and early autumn.

Dismayed that the credits only served to drive up inflation, the government was driven last month to a desperate measures: tentative market reform.

Although private farming is almost non-existent in Ukraine, especially in beet production, the Minister of Agriculture, Mr Yuri Karasik, has now given beet growers limited rights to make their own storing, processing and selling decisions.

Co-operative and state farms may barter their beets for fuel to power their tractors and harvester. Farmers may also process their beets into sugar for sale to the state at a higher price: while the state still remains the monopoly buyer, farmers are no longer required to sell their raw product immediately.

However, beet growers are still hostages of the inefficient state. Obligatory state orders take 96 per cent of the expected harvest, leaving farmers with a mere 4 per cent of their crop to buy whatever they want from whomever they want. Farmers receive a small purchase price from the state which is rendered meaningless by hyperinflation and irregular and obsolete supplies from the shattered state distribution system.

Lacking fuel, farms cannot transport beets to storage houses to await processing. Instead, cut beets lie on the soil, losing sugar content. With an initial 15-20 per cent sugar content, cut beets lose one-tenth of 1 per cent of sugar each day they lie on the ground – sometimes more during cold autumn nights. It is not uncommon for state farms to hire elderly women to pick beets off the field.

Beyond the immediate energy shortage, there are deeper concerns for next year when the current stock of harvesting machines, which are on their last legs this year, will wear out. The Soviets, with their philosophy of centralised production, decided that all Ukraine's harvesters should be built at a Ternopl factory, which in turn received many parts from the former East Germany.

The Ternopl factory is no longer supplied by the Germans and production has come to a halt. Ukraine's sugar beet production research institute, SakharSvyokla, has developed an alternative harvesting attachment for simple tractors, but so far has not been able to find investment for mass production. "Starting next year, there will be a problem. In the 1994-95 season, there will be a grave deficiency of machinery," says a SakharSvyokla analyst.

In addition trucks and clumsy sorting machines lead to unnecessary losses from transportation and sorting, amounting to 3.5 per cent of the harvest.

The final blow to the Ukrainian sugar industry could come from Russia, which is contemplating imposing a 100 per cent customs duty on sugar imports to promote its own faltering sugar industry.

WORLD COMMODITIES PRICES

MARKET REPORT

Precious metals remained range-bound in thin trading yesterday and continued to consolidate after the recent sell-off. GOLD closed in London at $364.45 a troy ounce, up $3.45. "Volumes are very light and there's not enough momentum to break out of the recent range," one dealer said. Gold was expected to fluctuate between $360 and $365 in largely professional trading, with the price still too high to attract solid physical demand but too low to cause producer selling. Some dealers said US funds could still liquidate long positions, making gold vulnerable to further falls.

SILVER firmed slightly to close in London at $4.245 an ounce, up 4.5 cents, after attracting light US buying. Dealers suggested the silver market may be re-evaluating the effect of Xerox's development of a new type of silverless film. Trading was extremely slow on the London Metal Exchange and markets ended mixed. After November traded option declarations passed smoothly in the morning, some technical resistance came into play during the afternoon, when COPPER and ALUMINIUM fell back.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Dec)		+ or -
Dubai	$14.54-4.56u	+0.36
Brent Blend (dated)	$15.89-5.91	+0.31
Brent Blend (Dec)	$16.23-6.25	+0.33
W.T.I (1 pm est)	$17.49-7.51u	+.465

Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$178-181	+1
Gas Oil	$169-170	+2
Heavy Fuel Oil	$64-66	+2
Naphtha	$151-154	+6
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$364.45	+3.45
Silver (per troy oz)♣	424.5c	+4.5
Platinum (per troy oz)	$368.65	+1.90
Palladium (per troy oz)	$127.40	-1.10
Copper (US Producer)	89.0c	+0.5
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	12.20r	
Tin (New York)	220.0c	+0.5
Zinc (US Prime Western)	Unq	
Cattle (live weight)†	119.84p	-0.32*
Sheep (live weight)†♠	79.35p	+0.71*
Pigs (live weight)†	70.76p	+4.41*
London daily sugar (raw)	$265.30	-0.80
London daily sugar (white)	$295.00	-0.50
Tate and Lyle export price	£291.00	
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£120.5	
Wheat (US Dark Northern)	£168.0	
Rubber (Dec)♥	61.25p	-0.50
Rubber (Jan)♥	61.50p	
Rubber (KL RSS No 1 Jul)	206.0m	
Coconut oil (Philippines)§	$435.0v	+10
Palm Oil (Malaysian)§	$342.5u	
Copra (Philippines)§	$290.0	+5.0
Soyabeans (US)	£186.0w	+2.5
Cotton "A" index	54.50c	+0.15
Wooltops (64s Super)	358p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Nov v-Jan/Feb u-Dec t-Sep/Oct w-Nov/Dec ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices * change from a week ago, provisional prices.

CRUDE OIL - IPE $/barrel

	Latest	Previous	High/Low	
Dec	16.25	15.91	16.32	15.60
Jan	16.50	16.14	16.56	15.87
Feb	16.71	16.32	16.71	16.07
Mar	16.85	16.45	16.85	16.25
Apr	16.93	16.58	16.93	16.45
Jun	17.12	16.75	17.12	17.10
Aug	17.16	16.85	17.16	17.16
IPE Index	16.16	16.25		

Turnover 44879 (37318)

GAS OIL - IPE $/tonne

	Close	Previous	High/Low	
Nov	164.50	160.00	165.25	160.50
Dec	164.75	163.25	165.25	160.50
Jan	164.50	162.50	165.00	160.25
Feb	163.75	162.00	164.00	159.00
Mar	162.75	161.00	163.00	158.25
Apr	161.00	160.00	158.50	
May	160.25	158.50	160.25	157.50
Jun	160.50	158.00	161.00	157.00
Aug	163.50	161.25	164.00	160.50

Turnover 22044 (16309) lots of 100 tonnes

SUGAR - LCE ($ per tonne)

White	Close	Previous	High/Low	
Dec	265.50	262.60	265.50	262.00
Mar	283.00	278.70	283.00	279.00
May	283.00	281.60	284.50	282.00
Aug	287.00	285.50	287.00	285.50
Oct	276.00	274.60	276.00	273.50

Turnover 1316 (793) Paris- White (FFr per tonne): Dec 1685.35 Mar 1682.51

WOOL

The wool market has continued to show strength. Offerings at auction have been fully cleared, prices have tended to move gradually higher in Australia, and in other wool producing markets more sporadic sales have seen sharper increases. The industry is now firmly convinced that the lowest point of this wool market has been passed. Sales from the Australian wool stockpile, at premium prices, have also increased. Buyers further down the line in the industry have been more active. The AWC market indicator touched 500 cents on November 2, from an April low point of 381c/kg.

No.7 RAW SUGAR - LCE (cents/lbs)

	Close	Previous	High/Low	
Mar	10.63	10.56	10.83	10.63
May	10.99	10.87	10.99	10.96

Turnover 57 (196) lots of 50 tonnes.

COCOA - LCE £/tonne

	Close	Previous	High/Low	
Dec	910	932	935	910
Mar	948	968	968	946
May	954	981	966	953
Jul	964	961	966	953
Sep	958	961	960	956
Dec	941	944	942	940
Mar	940	948	943	940
Sep	946	958	956	946

Turnover 5875 (3747) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 2 911.11 (916.83) 10 day average for Nov 3 925.14 (925.62)

COFFEE - LCE $/tonne

	Close	Previous	High/Low	
Nov	1216	1201	1220	1202
Jan	1233	1219	1236	1220
Mar	1221	1206	1215	1205
May	1205	1198	1206	1198
Sep	1201			

Turnover: 2703 (1810) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 2 Comp. daily 70.16 (69.82) 15 day average 68.68 (68.43)

POTATOES - LCE £/tonne

	Close	Previous	High/Low	
Apr	84.0	83.7	84.0	82.5
May	98.4	98.5	99.0	97.9

Turnover 98 (93) lots of 20 tonnes.

FREIGHT - LCE $10/index point

	Close	Previous	High/Low	
Nov	1345	1353	1351	1345
Dec	1350	1358	1358	1348
Jan	1360	1365	1360	
Apr	1358	1373	1370	1365
BFI	1317	1317		

Turnover 57 (160)

GRAINS - LCE £/tonne

Wheat	Close	Previous	High/Low	
Nov	95.65	97.00	95.50	95.00
Jan	97.90	99.15	98.00	97.90
Mar	99.85	101.10	100.50	99.80
May	101.95	103.05	102.75	101.80
Jun	103.20	104.40	103.75	

Barley	Close	Previous	High/Low	
Nov	99.50	99.90	99.60	99.35
Jan	104.40	104.50	104.00	

Turnover: Wheat 465 (373) Barley 411 (121)
Turnover lots of 100 Tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 39,023 lots	
Cash	1025.5-6.5	1030-0.5		1026-6.5		
3 months	1047-8	1053-4	1062/1042	1050-0.5	1044-4.5	262,759 lots
Copper, Grade A ($ per tonne)					Total daily turnover 34,012 lots	
Cash	1620-1	1622.5-3.5	1648/1647	1654.5-5		
3 months	1642.5-3	1644.5-5	1664/1639	1647-7.5	1641-2	181,699 lots
Lead ($ per tonne)					Total daily turnover 4,211 lots	
Cash	392-3	395-7	392/391.5	391.5-2		
3 months	406-7	410-0.5	408/405	405.5-6	406-7	24,302 lots
Nickel ($ per tonne)					Total daily turnover 5,409 lots	
Cash	4575-85	4665-70		4650-60		
3 months	4630-40	4620-5	4640/4600	4610-1	4635-40	44,935 lots
Tin ($ per tonne)					Total daily turnover 3,633 lots	
Cash	4730-5	4744-7	4715	4715-20		
3 months	4780-5	4792-5	4800/4795	4760-5	4780-90	15,976 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 23,650 lots	
Cash	928.5-9.5	932.5-4.5		926-9		
3 months	946-7	950-2	949/943	945.5-7	941-2	93,588 lots

LME Closing £/$ rate: SPOT: 1.4805 3 months: 1.4723 6 months: 1.4649 9 months: 1.4598

LME AM Official £/$ spot rate 1.4802

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	364.30-364.60	
Opening	363.15-363.65	
Morning fix	363.00	245.363
Afternoon fix	363.55	245.211
Day's high	364.90-365.40	
Day's low	361.90-362.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.71	6 months	2.68
2 months	2.70	12 months	2.71
3 months	2.69		

Silver fix	p/troy oz	US cts equiv
Spot	284.65	421.25
3 months	288.55	424.65
6 months	292.15	428.15
12 months	299.50	435.85

GOLD COINS	$ price	£ equivalent
Krugerrand	365.00-368.00	246.00-249.00
Maple leaf	374.25-376.55	-
New Sovereign	85.00-88.00	57.00-60.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Mar	Dec	Mar
1025	33	57	17	20
1050	20	43	31	35
1075	12	31	48	45

Copper (Grade A)	Calls		Puts	
1625	46	79	31	41
1650	33	66	43	53
1675	23	55	58	66

Coffee LCE	Jan	Mar	Jan	Mar
1150	107	122	24	61
1200	76	95	43	84
1250	51	75	68	114

Cocoa LCE	Dec	Mar	Dec	Mar
900	36	56	16	33
925	24	73	27	43
950	15	60	43	55

Brent Crude	Dec	Jan	Dec	Jan
1600	35	-	18	41
1650	14	48	-	125
1700	4	27	-	125

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Nov	367.2	362.7	0	0
Dec	368.0	363.6	369.0	363.2
Jan	368.8	364.5	0	0
Feb	369.5	365.1	370.7	365.0
Apr	371.1	367.1	372.4	367.0
Jun	373.3	368.9	373.5	369.0
Aug	375.1	370.7	372.4	371.5
Oct	377.0	372.6	0	0
Dec	378.9	374.5	378.5	373.7

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	370.0	368.8	374.9	368.5
Apr	374.2	369.6	374.9	370.5
Jul	376.0	371.4	376.5	371.5
Oct	377.5	372.4	373.0	372.0
Jan	377.5	373.9	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Nov	425.8	422.2	0	0
Dec	430.7	419.0	431.5	419.0
Jan	431.5	419.8	0	0
Mar	433.1	422.3	435.5	424.0
May	438.1	426.3	437.0	427.5
Jul	441.1	428.3	441.5	430.5
Sep	444.1	432.2	0	0
Dec	448.5	436.9	447.0	436.0
Jan	450.0	438.0	0	0
Mar	453.8	441.8	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	73.40	73.60	73.60	73.45
Dec	73.50	73.95	74.60	72.75
Jan	73.75	74.10	74.45	73.75
Feb	74.05	74.35	74.25	74.00
Mar	74.25	74.55	75.15	74.00
Apr	74.50	74.80	0	0
May	74.75	75.05	75.50	74.50
Jun	75.00	75.30	0	0
Jul	75.20	75.50	75.40	74.85
Aug	75.40	75.75	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	17.67	17.12	17.68	16.76
Jan	17.78	17.36	17.79	16.93
Feb	17.95	17.55	17.95	17.26
Mar	18.06	17.70	18.07	17.41
Apr	18.16	17.84	18.15	17.62
May	18.27	17.97	18.27	17.75
Jun	18.37	18.08	18.30	17.84
Jul	18.50	18.21	18.50	18.01
Aug	18.10	18.32	[illegible]	[illegible]
Sep	18.68	18.43	18.68	18.20

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Dec	52.95	52.37	53.75	51.15
Jan	53.85	53.04	53.70	51.80
Feb	53.90	53.12	53.90	52.20
Mar	53.25	52.62	53.35	51.85
Apr	52.25	51.57	52.25	51.25
May	51.30	50.92	51.30	50.95
Jun	51.60	50.77	51.76	51.00
Jul	50.97	50.87	0	0
Aug	51.22	51.07	51.30	50.80
Sep	52.47	52.47	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1087	1109	1107	1086
Mar	1143	1156	1166	1141
May	1164	1173	1176	1162
Jul	1176	1192	1195	1175
Sep	1190	1208	1208	1190
Dec	1208	1225	1210	1209
Mar	1218	1235	0	0
May	1232	1253	0	0
Jul	1251	1267	0	0
Sep	1270	1288	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	76.30	76.85	79.45	76.05
Mar	80.95	81.45	82.00	80.65
May	82.05	82.05	82.80	81.80
Jul	83.10	83.35	83.60	83.25
Sep	83.50	85.70	86.00	85.40
Dec	87.60	87.90	0	86.50
Mar	90.00	90.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	10.55	10.44	10.58	10.45
May	10.71	10.61	10.73	10.63
Jul	10.74	10.65	10.79	10.69
Oct	10.71	10.61	10.72	10.62

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	57.25	57.55	57.48	57.15
Mar	58.37	58.43	58.50	58.20
May	60.45	60.53	60.53	60.15
Jul	61.22	61.20	61.25	61.10
Oct	62.08	62.30	0	0
Dec	62.45	62.60	62.50	62.10
Mar	63.10	63.15	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	104.30	105.20	105.20	104.30
Jan	107.90	108.20	108.00	107.60
Mar	110.50	111.05	111.50	110.50
May	112.85	112.75	113.50	112.60
Jul	114.00	114.30	0	0
Sep	115.00	115.50	115.00	115.00
Nov	112.80	112.60	0	0
Jan	112.80	112.80	0	0
Mar	112.80	112.80	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 3	Nov 2	mnth ago	yr ago
1612.2	1609.7	1578.6	1658.1

DOW JONES (Base: Dec. 31 1974 = 100)

	Nov 2	Nov 1	mnth ago	yr ago
Spot	119.88	119.37	117.66	114.68
Futures	131.66	130.78	125.60	115.63

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	23.26	23.34	23.80	[illegible]
Jan	23.06	23.42	23.60	23.00
Mar	23.77	23.60	23.80	[illegible]
May	23.60	23.66	23.80	23.50
Jul	23.63	23.76	23.90	23.60
Aug	23.50	23.68	23.70	[illegible]
Sep	23.55	23.65	[illegible]	[illegible]
Oct	23.30	23.40	23.40	[illegible]
Dec	23.15	23.27	[illegible]	[illegible]

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	198.8	197.8	199.0	197.1
Jan	198.3	197.1	198.5	196.9
Mar	197.8	196.8	197.9	196.3
May	197.6	197.6	198.5	196.7
Jul	198.4	197.4	198.5	196.1
Aug	198.4	197.2	198.6	[illegible]
Sep	197.0	196.4	197.0	196.0
Oct	195.4	194.2	[illegible]	[illegible]
Dec	195.5	195.2	197.0	195.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	261/6	260/4	263/0	259/4
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	333/4	333/2	336/4	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	321/6	322/4	[illegible]	[illegible]
Jul	314/2	313/2	314/4	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	72.775	72.450	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	47.325	46.725	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	60.075	60.075	[illegible]	[illegible]
Mar	57.925	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	57.350	[illegible]	[illegible]	[illegible]

LONDON STOCK EXCHANGE

Early falls recouped but volume flags

By Terry Byland, UK Stock Market Editor

AN UNEASY, drifting session left UK share prices little changed yesterday from the previous close. The spotlight turned back to the UK company front and food retailing stocks gave ground as the market responded to trading reports from J. Sainsbury and Marks and Spencer, two of Britain's high street retailing monarchs.

London's worries over Wall Street eased as the Dow built on Tuesday's gain to edge higher at the beginning of the new session. The FT-SE 100 Index rallied from an early decline of 8.6 points to finish only 1.8 off at 3,162.3.

Traders sounded marginally satisfied with the overall performance from a stock market still lacking direction ahead of the Budget, due at the end of this month, from Mr Kenneth Clarke, the UK chancellor of the exchequer.

Firmness in UK government bonds provided support for the stock market's satisfaction with the Bank of England's cautiously favourable comments on the inflation outlook. But it was left to the newly recovered pharmaceutical sector to provide the backing for the broad range of the blue chip market. Across the wider spectrum of the second line issues, sheer lack of interest left the FT-SE Mid 250 Index to drift down 5 points to 3,517.3.

The institutions took on board a £184m rights issue from Siebe without strain. Hints that further equity fund raisings could be on the way also failed to disturb fund managers who regard these as a convenient way of putting funds into the stock market.

While half-time profits from Sainsbury were up to expectations, the group's disclosure of widespread price-cutting plans increased nervousness among analysts towards the outlook for the food retailing sector, as well as prompting a general downgrading of profits forecasts for Sainsbury itself.

Good trading figures from Marks and Spencer were well received, but BAT Industries gained no benefit from third-quarter figures. However, the market's caution regarding recovery in UK company profits remains a restraining factor, and strategists have already switched their attention to prospects for final quarter profits.

The renewed firmness in bonds was seen as an important plus factor for the UK stock market, which resumed its upward trend last month largely on the back of falls in bond yields throughout Europe. A cut in UK base rates around the time of the Budget, at the end of November, remains a key component of stock market optimism.

Seaq volume fell to 614.3m shares, bearing out the general view that yesterday's market lacked real direction. Non-Footsie business made up around 54 per cent of the day's deals, a return to more average daily levels.

On Tuesday, Seaq volume of 660.6m shares brought a retail worth of £1.59bn, well up to the improvement in genuine investment activity which has featured the stock market over the past three months.

With little news on the domestic economic side in prospect for the rest of the week, London market analysts are focusing on the data pending from across the Atlantic. Factory orders and housing starts from the US, due today, will provide a curtain-raiser for the federal unemployment data to be announced on Friday.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	31,000	50¼	-2½
Abbey National†	1,200	416	
Albert Fisher	1,500	67	-1
Allied-Lyons†	2,200	573	-11
Anglian Water†	320	525	-4
Argos	1,300	340	-2
Argyll Group†	18,000	274	-18
Arjo Wiggins†	341	225	
Assoc. Brit. Foods†	258	485	-9
Ass. Brit. Ports	221	495	
BAA†	1,200	889	+15
BAT Inds.†	2,700	485	-7
BET	1,600	122	+2
BICC	388	387	-6
BOC†	1,800	682	+6
BP†	9,000	347	-5½
BPB Inds.	846	288	-1
BT†	5,100	476½	+7
BT (P/Paid)	8,200	227½	+7½
BTR†	5,800	383	-4½
Bank of Scotland†	4,000	187	
Barclays†	2,800	579	-4
Bass†	1,800	485	-7
Blue Circle†	853	298	-6
Booker	304	398	+6
Boots†	1,000	505	-7½
Bowater†	714	443	+3
Brit. Aerospace†	3,500	464	+30
British Airways†	5,200	389	+7½
British Gas†	4,300	334½	-1½
British Land	235	408	-1
British Steel†	2,300	125	-1
Bunzl	987	141	-1
Burmah Castrol†	17	785	-8
Burton	3,050	75	
Cable & Wire.†	8,400	469	+2
Cadbury Schweppes†	858	474	-2
Caird Group	38	388	
Carlton Comms.†	807	787	
Coats Viyella†	1,400	280	+3
Comm. Union†	1,100	685	-10
Cookson	782	309	+2
Courtaulds†	178	481	-3
Dalgety	187	451	-6
De La Rue	236	785	+1
Dixons	1,500	273	+7
Eastern Elect.	466	610	+3
East Midland Elect.	39	580	-1
Eng China Clays	52	424	
Enterprise Oil†	710	476	-8
Eurotunnel Units	22	485	
FKI	395	180	-½
Fisons	3,500	153	-3
Foreign & Col. I.T.	408	287	
Forte†	590	215	-1
Gen. Accident†	373	721	+3
General Elect.†	1,300	355½	
Glaxo†	4,100	683	+23
Glynwed Intl.	445	308	
Granada†	213	483	+7
Grand Met.†	3,900	405	+1
GUS†	433	537	-1
GRE†	1,700	211½	-3½
GKN	853	489	-6
Guinness†	891	432	-1
HSBC (75p shs)†	3,400	750	-9
Hammerson 'A'	180	383	
Hanson†	8,100	275½	+1¼
Harrisons Crosfield	504	187	-1
Hays	380	270	+2
Hillsdown	2,600	160	-3
IMI	950	302	
ICI†	1,800	727	+2
Inchcape†	850	491	-3
Johnson Matthey	344	495	-4
Kingfisher†	801	641	-3
Kwik Save	314	620	-18
Ladbroke†	4,400	176	+7
Land Securities†	387	720	-7
Laporte	278	690	+5
Legal & General†	890	510	-8
Lloyds Abbey	339	480	+1
Lloyds Bank†	2,500	589	
LASMO	2,500	137½	-2½
London Elect.	98	692	+1
Lonrho	2,400	129	+3
Lucas	1,900	177	-1
MB Caradon†	2,700	341	+5
MEPC†	228	536	-6
MFI	165	143	+1½
Manweb	350	656	+3
Marks & Spencer†	8,600	403	+7
Midlands Elect.	376	623	+1
Morrison (Wm.)	3,200	90	-6
NFC†	1,200	274	+2
NatWest Bank†	5,100	563	+9
National Power†	1,800	413½	+1
Next	2,100	193	+1
North West Water†	707	541	-4
[illegible]	[illegible]	[illegible]	[illegible]
Reuters†	825	1883	+3
Rolls Royce†	5,300	155½	+3½
Ryl Bk Scotland†	3,700	394	+6
Royal Insurance†	2,800	315	-1
Sainsbury†	12,000	385	-15
Schroders	129	1288	
Scottish & New.†	758	475	+6½
Scot. Hydro-Elec.	399	407	+1
Scottish Power†	2,700	413½	
Sears†	817	116	+½
Sedgwick	74	184	-1
Seeboard	88	484	-1
Severn Trent Water†	1,300	598	-2
Shell Transport†	3,050	715	-3
Siebe†	[illegible]	573	+8
Slough Ests	244	258	-2
Smith (W.H.) A	297	480	+4
Smith & Nephew†	1,500	142½	
SmithKline Beecham†	2,400	415½	+10½
SmithKline Beecham Uts.†	2,600	375	+12
Smiths Inds.	80	409	+2
Southern Elect.	534	616	+1
South Wales Elect.	44	684	+4
South West Water	294	568	-3
South West. Elect.	54	611	+2
Southern Water	695	582	-7
Standard Chartd.†	568	1061	-13
[illegible]	[illegible]	[illegible]	[illegible]
Utd. Newspapers	229	542½	+3½
Vodafone†	1,300	528	-5
Warburg (SG)†	771	918	-21
Wellcome†	2,600	705	+15
Welsh Water	480	671	-7
Wessex Water	291	649	-7
Whitbread 'A'†	329	510	-2
Williams Hldgs.†	679	383	
Willis Corroon	322	221	+5
Wimpey	174	167	
Wolseley†	209	720	+8
Yorkshire Elect.	358	807	+3
Yorkshire Water	361	583	-10
Zeneca†	2,100	768	+12

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:		
Oct 18	Nov 1	Nov 15
Option Declarations:		
Oct 28	Nov 11	Nov 25
Last Dealings:		
Oct 29	Nov 12	Nov 26
Account Day:		
Nov 8	Nov 22	Dec 6

*New time dealings may take place from two business days earlier.

Battle in food retailers

HECTIC trading swept through the food retailing sector as price war fever intensified. Four of the major players ended the day in the top five turnover listings, with Asda taking pole position after 26m shares were traded.

Interim results from J. Sainsbury sparked the action as the company used the opportunity to announce an aggressive marketing campaign of cutting prices on 300 of its key brand products. Fears over a price war in the sector, which exploded last week when a US warehouse retailer won permission to open an outlet in the UK, were fuelled, and selling cut back most stocks. Many analysts set about downgrading and Sainsbury ended 15 down at 385p, after 378p.

Argyll Group lost 18 to 274p in volume of 15m, making it the day's second highest turnover stock. It was also the Footsie's biggest percentage faller with a 6.2 per cent loss. Tesco dropped 14½ to 185p and Asda dipped 2½ to 50¼. Kwik Save relinquished 18 to 620p.

One analyst said that the market had been braced for shock waves after the Sainsbury announcement. "It was a powerful competitive move and there is bound to be retaliation." He predicted quite an amount of downside in the food retailing and said his downgradings were trimming food retailers by an average of £30m to £40m.

BAe near peak

Another strong bout of speculative buying interest drove British Aerospace shares sharply higher. They closed within 4p of their 1993 high of 468p, on above average, but not spectacular, turnover of 3.5m shares, in spite of recent bad news regarding the proposed Taiwan link-up.

Stories circulating for at least two weeks have suggested that a careful and unobtrusive stakebuilding operation may have been in motion.

Marketmakers have been at a loss to explain the shares' strong performance since the end of last month when the stock began to move forward from 425p.

The big price gain, although accompanied by turnover only marginally above usual, triggered stories of discreet stakebuilding. Much of the business in the shares appears to have been executed by one marketmaker, arousing the suspicions of the others. It has even been suggested that GEC, known to have coveted some of Aerospace's interests for some years, could have been involved.

One leading trader in the stock said the shares have been "fundamentally overvalued for some time; either someone is buying a seat at the table if the company is eventually broken up or bid for, or the shares may have been massaged for some kind of cash-raising operation".

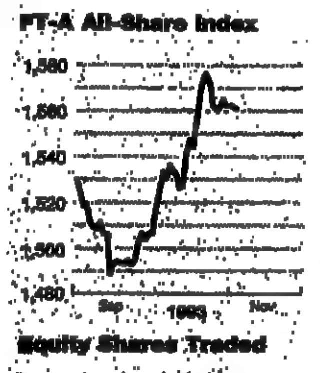
There were suggestions that big holders of Aerospace had begun to consider switching into Rolls-Royce after reports that overseas holdings in Rolls had fallen back to 25 per cent after the recent rights issue. Rolls shares edged up 3½ to 155½p yesterday on heavy turnover of 5.8m.

BP rise checked

The recent strong showing of BP – the shares have risen from around 300p since the start of September and came within a whisker of attaining a two year high - was halted late yesterday by a burst of overseas selling pressure ahead of today's third quarter figures from the UK oil company.

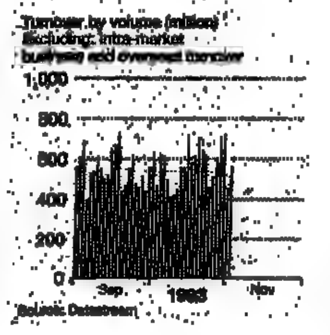
By the close BP were 5½ lower at 347p with turnover of 9m shares said to have been substantially boosted by the appearance of large blocks of shares on offer from the US. Oil sector specialists said the US selling materialised after one of the leading US oil analysts downgraded his 1994 oil price forecast to $18.50. The downgrade, and the subsequent US-sourced selling pressure, caused widespread concern in London. It was US buying interest that triggered the massive upsurge in BP shares from the 184p level in August 1992. The US buying was accomodated by heavy selling of BP shares by UK insitutions.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Source: Datastream

Oil specialists were decidedly nervous about BP shares ahead of the figures; "given the rise in the stock lately the numbers will have to be very good indeed," said one. Talk of a possible massive rights issue was disregarded around the market, with next spring seen as a more likely time to tap the market.

Shell performed similarly to BP, easing 3 to 715p although there was no evidence of selling from the US. Lasmo dipped 2½ to 137½p with dealers citing the latest decline in crude oil prices rather than unsubstantiated bear stories as being responsible for the latest fall in the shares.

British Borneo was a feature among the smaller oil stocks, edging up 3 to 217p -their highest level since November 1991 – after the encouraging oil discovery on Block 21/16 in the North Sea.

Bats shares slipped 7 to 485p, albeit in rather unspectacular turnover of 3.3m after revealing third quarter results broadly in line with market estimates.

Sun Alliance moved up 4 to 372p on heavy turnover of 4.5m with good buying from Morgan Stanley said to have been responsible for the good performance by the shares.

Prudential, on the other hand, came under relentless downside pressure throughout the session after Charterhouse Tilney, the stockbroker, was said to have lowered its current year profits forecast for the group by £30m to £515m, citing increased claims affecting Prudential's M & G Reinsurance operation. Prudential shares retreated 7½ to 357½p on good turnover of 4.2m. The weakness in Prudential spilled over into Legal & General which lost 8 to 510p.

Willis Corroon, the insurance broker, ran up 5 to 221p following the emergence of persistent US buying of the ADR's.

NatWest moved up 9 to 563p, with Swiss Bank said to have been an aggressive buyer of the stock.

Drug stocks turned the corner and began to recover from their recent volatile ride with most stocks staging a recovery. They were helped to some extent by an upgrading in the US by Goldman Sachs of three US companies which encouraged flagging sentiment in pharmaceuticals over here.

Wellcome pushed through the sensitive 700p level and closed at 705p - 15 up on the day. Glaxo jumped 23 to 683p and SmithKline Beecham A added 10½ to 415½p.

Zeneca, which claimed its Zestril drug benefits heart attack victims, moved ahead 13 to 768p.

Market belief that a ruling would come today in Medeva's court battle over the patent for its Hepatitis B vaccine pushed up confidence in the shares. They advanced 5 to 125p in a turnover of 1.8m. The judgment was expected later in the month so sentiment was buoyed on the belief that an early announcement would indicate a positive one for Medeva.

MB Caradon made further rapid progress, advancing a further 5 to 341p, with dealers noting a log-jam of pent-up buying orders following the recent Kleinwort Benson buy note.

BT "old" rose 7 to 476½p ahead of today's second quarter figures, with specialists pinpointing the rate of dividend growth as the key factor in the shares' performance.

Market pleasure at the results of Marks and Spencer was slightly tempered by fallout from the food wars, according to one analyst who expected the figures to have pushed the share price higher.

The shares added 7 to 403p in good volume after results which forced many analysts to revise upwards their forecasts.

The market was also pleased by Marks and Spencer's surprise announcement that it was willing to open on four Sundays before Christmas.

Good effects from the retailer's results rippled out to the textile sector with some market watchers seeing optimism in the supply potential. Claremont, a main supplier to the high street retailer, jumped 6 to 353p.

An upgrading by Kleinwort Benson helped Dixons mark a gain of 7 to 273p.

MARKET REPORTERS:
Steve Thompson,
Christine Buckley.

■ Other statistics, Page 20

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (169). BRITISH FUNDS (3) Treas. 6¾pc '95-98, Treas. [illegible] AMERICANS [illegible] Kepong, MINES (3) Blyvoor, Joel (H.J.), Malaysia Mining, St Helena, West Rand.

NEW LOWS (23).
BRITISH FUNDS (1) Exch. 13¼pc '94, BREWERS (2) Macallan-Glenlivet, Marrydown, CHEMS (1) Caird 7p PL, ENG GEN (1) Clayton Son, FOOD MANUF (2) Barlsford, Cranswick, FOOD RETAILING (6) ASDA, Argyll, Kwik Save, Morrison (Wm), Do 5¾pc PL, Sainsbury (J), HEALTH & HSEHOLD (1) Shield Diag., HOTELS & LEIS (3) Brent Walker, Euro Disney, INSCE BROKERS (1) Marsh & McLennan, MISC (2) Ashley, Beckenham, OIL & GAS (1) Midland & Scot., PACKG, PAPER & PRINTG (1) Blagden, TEXTS (2) Campari, Horace Small Apparel.

FINANCIAL TIMES EQUITY INDICES

	Nov 3	Nov 2	Nov 1	Oct 29	Oct 28	Year ago	*High	*Low
Ordinary share	2383.7	2387.4	2392.1	2398.0	2393.5	1999.7	2414.2	2124.7
Ord. div. yield	3.87	3.87	3.87	3.87	3.88	4.58	4.52	3.82
Earning yld % full	4.48	4.48	4.48	4.48	4.50	6.47	6.38	4.47
P/E ratio net	27.81	27.97	27.95	28.07	28.00	18.72	28.30	19.40
P/E ratio nil	25.87	25.92	25.90	25.89	25.82	18.23	26.14	18.14
Gold Mines	230.8	217.4	224.8	225.5	226.5	79.1	249.2	60.0

*for 1993. Ordinary share index since compilation: high 2414.2 31/8/93 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Base Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2385.8	2387.2	2380.2	2383.2	2382.8	2384.4	2385.1	2384.9	2382.7	2387.4	2379.2

Volume	Nov 3	Nov 2	Nov 1	Oct 29	Oct 28	Year ago
SEAQ Bargains	29,509	28,906	29,404	36,032	36,430	25,818
Equity Turnover(£m)†	-	1590.0	1080.8	1636.2	1840.5	1152.0
Equity Bargains†	-	33,599	33,225	40,551	35,721	39,127
Shares traded (ml)†	-	571.8	464.6	726.4	712.0	447.3

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

STOCK INDEX futures moved through a narrow range yesterday, and although the sector provided a lead for the underlying cash market, volume in the December contract was unimpressive, writes Terry Byland.

Renewed support for UK bonds buttressed expectations of a base rate cut, but optimism across the broader range was restrained by a less certain trend in US bonds.

The Footsie December contract opened cautiously, edging forward to 3,173, with the premium against cash remaining just under the fair value estimate of 11½, which allows for carrying costs and dividend payments. Then the contract fell back to 3,161 before rallying to close at 3,176, the final reading showing a premium of 2½ against fair value. Turnover was only 9,810 contracts, however.

Traded options were a little busier, recording just under 38,000 lots, against less than 30,000 on Tuesday. The FT-SE 100 option contributed 9,165. British Petroleum (9,165 contracts) headed the individual companies' list as dealers braced themselves for today's trading figures. Late reports indicated that US sources were sellers of BP.

J. Sainsbury (3,906 contracts) saw a good deal of new positioning by broking houses in the wake of a profits statement which unsettled the food retailing sector. Also active was Hanson (1,431 lots) and British Steel (3,039).

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3162.3 −1.8	3517.3 −5.0	1561.19 −1.11

	Nov 3	Day's change %	Nov 2	Nov 1	Oct 29	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj ytd	Total Return
FT-SE 100	3162.3	−0.1	3164.1	3164.4	3171.0	2891.7	3.72	5.41	22.93	84.68	1152.44
FT-SE Mid 250	3517.3	−0.1	3522.3	3520.5	3528.1	2560.7	3.45	5.64	21.56	85.77	1270.68
FT-SE Mid 250 ex Inv Trusts	3517.1	−0.1	3522.1	3521.2	3527.1	2565.8	3.56	6.06	20.25	87.90	1266.21
FT-SE-A 350	1576.4	−0.1	1577.6	1577.6	1580.9	1288.3	3.66	5.47	22.61	41.36	1176.90
FT-SE SmallCap	1804.85	—	1805.10	1803.33	1805.69	–	3.05	3.78	36.33	38.63	1363.84
FT-SE SmallCap ex Inv Trusts	1787.32	—	1787.35	1786.39	1788.05	–	3.25	4.20	33.75	40.85	1352.64
FT-A ALL-SHARE	1561.19	−0.1	1562.30	1562.16	1565.37	1272.93	3.62	5.36	23.16	40.50	1186.27
1 CAPITAL GOODS(215)	1076.99	−0.1	1078.13	1073.72	1077.44	776.95	3.80	3.91	33.50	30.39	1278.13
2 Building Materials(28)	1210.68	−0.1	1211.50	1204.07	1208.48	769.78	3.78	2.85	[illegible]	32.06	1414.94
3 Contracting, Construction(29)	1051.12	+0.2	1049.42	1053.99	[illegible]	665.55	3.02	1.24	80.00†	24.02	1488.53
4 Electricals(15)	2978.62	−0.7	3000.51	3023.34	3023.20	2085.16	4.54	3.56	34.49	105.80	1219.88
5 Electronics(39)	2941.05	+0.1	2939.45	2902.53	2907.32	2126.24	2.87	5.88	21.62	68.47	1289.68
6 Engineering-Aerospace(7)	463.86	+2.3	453.38	450.71	450.55	291.09	3.12	‡	‡	[illegible]	1627.04
7 Engineering-General(49)	629.93	[illegible]	628.64	624.58	624.97	447.47	3.47	5.48	22.16	15.39	1289.39
8 Metals & Metal Forming(9)	482.29	−0.6	485.33	485.40	496.28	273.01	2.23	‡	‡	7.84	1528.94
9 Motors(20)	453.91	−0.3	455.14	455.27	454.99	319.73	4.84	4.09	33.98	19.41	1278.46
10 Other Industrials(19)	2110.37	−0.7	2125.42	2123.86	2138.16	1798.84	4.70	5.91	19.97	71.85	1101.34
21 CONSUMER GROUP(240)	1708.78	+0.1	1707.21	[illegible]	1720.67	1665.81	3.44	6.58	[illegible]	40.87	1000.53
22 Brewers and Distillers(29)	1865.45	−0.3	[illegible]	1882.13	1893.46	1995.97	4.00	8.23	[illegible]	46.54	918.24
25 Food Manufacturing(24)	1362.62	−1.5	1382.96	1382.67	1379.39	1273.12	3.74	6.96	[illegible]	34.68	1057.91
26 Food Retailing(17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health & Household(21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Hotels and Leisure(23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30 Media(24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging and Paper(28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores(39)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles(20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS(143)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Business Services(27)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals(24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates(11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Transport(16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Electricity(17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 Telephone Networks(4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Water(13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous(31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP(687)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas(17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 "500" SHARE INDEX(815)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP(91)	1217.80	−0.4	1222.87	1220.50	1222.08	838.94	3.55	3.09	40.07	33.85	1443.32
62 Banks(9)	1686.68	−0.2	1690.12	1683.77	1683.86	1163.69	3.19	3.72	36.89	46.27	1465.96
65 Insurance (Life)(6)	2169.07	−1.4	2190.20	2197.86	2202.51	1619.33	4.36	4.45	28.30	73.50	1275.96
66 Insurance (Composite)(7)	727.85	−0.3	729.76	731.28	728.14	588.27	4.63	‡	‡	26.54	1210.32
67 Insurance Brokers(10)	871.07	+0.4	867.46	869.73	863.15	783.95	4.50	4.60	30.42	[illegible]	1184.03
68 Merchant Banks(6)	865.00	−0.8	873.10	870.30	869.41	484.70	2.06	5.29	23.42	15.40	1704.09
69 Property(30)	1104.03	−0.7	1112.15	1110.79	1114.15	600.94	3.07	3.65	38.07	23.67	1779.09
70 Other Financial(23)	463.96	−0.4	466.04	466.08	469.52	381.85	3.44	6.04	[illegible]	10.96	1584.13
71 Investment Trusts(111)	1780.02	−0.1	1782.16	1757.00	1768.86	1234.38	2.34	1.87	63.42	[illegible]	1346.99
99 FT-A ALL-SHARE(817)	1561.19	−0.1	1562.30	1562.16	1565.37	1272.93	3.62	5.36	23.16	40.50	1186.27

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3158.5	3164.4	3158.5	3159.0	3158.5	3159.9	3161.3	3162.6	3161.1	3164.6	3156.5
FT-SE Mid 250	3521.5	3521.8	3518.9	3519.0	3517.2	3517.7	3517.8	3517.7	3517.1	3522.1	3516.7
FT-SE-A 350	1575.6	1577.7	1574.3	1575.3	1574.9	1575.6	1576.1	1576.0	1576.0	1577.9	1573.9

Time of FT-SE 100 high: 9.01am low: 11.09am

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Construction	2006.8	2008.1	2008.1	2005.4	2006.4	2005.4	2005.8	2007.7	2007.7	2007.7	2008.8	-1.1
Health & H	1091.1	1095.4	1091.8	1095.6	1093.2	1093.1	1093.6	1106.4	1107.8	1112.8	1087.0	+25.8
Water	1567.0	1567.2	1566.8	1554.7	1552.5	1552.5	1552.6	1549.9	1554.1	1554.1	1567.0	-12.9
Banks	2047.1	2052.2	2048.1	2048.0	2048.1	2048.5	2047.2	2047.5	2049.9	2050.1	2054.3	-4.2

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address.
The increase in the size of the FT-Actuaries All-Share Index from January 4 1993 means that the FT 500 now contains more stocks. It has been renamed the FT "500". † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.
The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.

"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or –	1993 high	1993 low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

Notes	Price £	+ or –	1993 high	1993 low	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 12pc 1998	120¼xd	[illegible]	124¼	118⅛	9.74	6.51
Treas 9½pc 1999‡‡	113⅜	[illegible]	114¼	109⅛	8.39	6.44
Exch 12¼pc 1999	125½	[illegible]	126⅜	120⅛	9.75	[illegible]
Treas 10½pc 1999	118⅛xd	[illegible]	119⅞	113⅜	8.87	6.48
Treas 6pc 1999 (£50pd)‡‡	49⅞	[illegible]	49⅞	48¼	6.10	[illegible]
Conversion 10¼pc 1999	118⅜xd	[illegible]	118⅜	112⅛	8.68	6.52
9pc 2000‡‡	112⅝	[illegible]	113⅜	108	7.99	6.51
Treas 13pc 2000	133⅜	[illegible]	135⅛	125½	9.77	6.75
10pc 2001	118¾	[illegible]	119⅜	109⅞	8.46	6.77
7pc '01 ‡‡	101⅞	[illegible]	103⅛	97⅞	6.88	6.67
9¾pc 2002	118⅜	[illegible]	119⅞	108⅝	8.24	6.92
8pc 2003‡‡	109⅛xd	[illegible]	109⅜	97⅛	7.39	6.82
8pc 2003 A‡‡	107⅞xd	—	109⅜	102⅛	7.42	6.87

BRITISH FUNDS - Cont.

Notes	Price £	+ or –	1993 high	1993 low	Yield Int.	Yield Red.
10pc 2003	121⅜	[illegible]	122⅝	108⅝	8.24	6.96
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 12pc '13-'17	149⅛	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Undated						
Consols 4pc	53⅞	—	[illegible]	[illegible]	[illegible]	[illegible]
War Loan 3½pc‡‡	48⅛xd	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Conv 3½pc '61 Aft.	66⅝	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 3pc '66 Aft.	40⅞	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Consols 2½pc	34⅛	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas. 2½pc	33⅛	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

Index-Linked

Notes	Price £	+ or –	1993 high	1993 low	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER FIXED INTEREST

Notes	Price £	+ or –	1993 high	1993 low	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

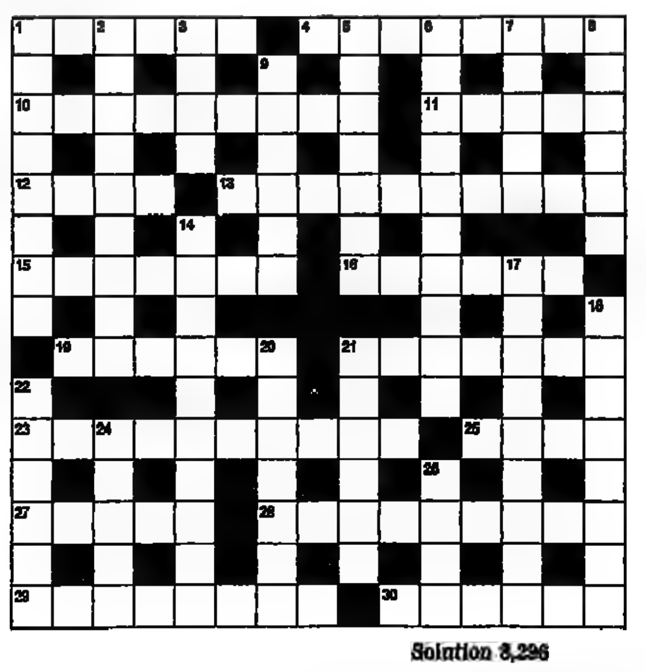
Continued on next page

CROSSWORD

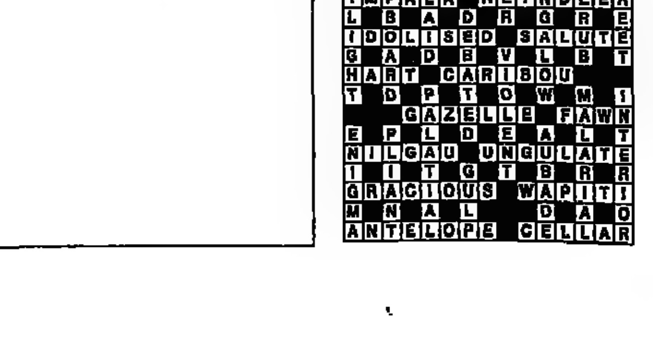
No.8,297 Set by VIXEN

ACROSS
1 Loud music and more peculiar food! (6)
4 Give voice about a pest getting attached (8)
10 Put down the French entry in red (9)
11 Curious old article a boy brought back (5)
12 The platform said to be for reform (4)
13 The general feeling at doctors parking in this spot (10)
15 A churchman wanting one for the church (7)
16 Pledge to install running water in an animal shelter (6)
19 The character of the rent-collector (6)
21 Artistic people are to transform Chester (7)
23 The head favouring many on the political right (10)
25 The place with the best backing (4)
27 He wrote a note after study (5)
28 Unwillingly passed over (9)
29 The ordinary individual may never change (8)
30 The price of liberation (6)

DOWN
1 A threat to miners motivated a politician (8)
2 Trifling figure to a syndicate (9)
3 So with a certain hesitation make a move (4)
5 Outside broadcast that could well be boring (7)
6 Swindles, theft and intrigue (10)
7 Children dispute (5)
8 Sound man, though quite a spouter! (6)
9 Ancient Greek currency say – right? (6)
14 Place on oriental railway providing material for a writer (10)
17 Spain's the wrong setting for actors (9)
18 A line on the map is nothing to the fighting men (8)
20 Stare in stupid fashion – it's the drink (7)
21 Flighty creatures some jester generally backs (6)
22 Dispute over quarters in short supply (6)
24 A vote might take such a form (5)
26 Like first-class return from the continent (4)



Solution 8,296



JOTTER PAD

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		[illegible]	[illegible]	[illegible]	[illegible]	16,320	2.3
Allegheny & W	♥	489p	[illegible]	722p	399p	280.2	4.1
Amdahl		321p	+4	591p	294p	380.5	1.0
Amer Cyanamid		38	+1	39	[illegible]	3,414	3.1
Amer Express		[illegible]	[illegible]	[illegible]	[illegible]	10,716	3.1
Amer T & T		[illegible]	[illegible]	[illegible]	[illegible]	52,387	2.3
Ameritech		[illegible]	[illegible]	[illegible]	46	25,175	4.3
Anheuser-Busch		[illegible]	[illegible]	[illegible]	[illegible]	8,993	3.0
BankAmerica		[illegible]	[illegible]	[illegible]	[illegible]	10,198	3.3
Bankers NY		[illegible]	[illegible]	[illegible]	[illegible]	4,431	3.9
Bell Atlantic		[illegible]	[illegible]	[illegible]	[illegible]	18,747	4.1
BellSouth		[illegible]	[illegible]	[illegible]	[illegible]	20,809	4.4
Bethlehem Steel	♥	[illegible]	[illegible]	[illegible]	[illegible]	1,023	–
Bowater		1283p	-25	1682p	1189p	464.9	3.1
CPC		[illegible]	....	[illegible]	26	4,989	2.6
California Engy		1183p	....	1478p	1086p	216.4	–
Chase Manhattan		[illegible]	[illegible]	[illegible]	[illegible]	3,492	3.6
Chrysler		[illegible]	[illegible]	38	[illegible]	11,420	1.0
Citicorp		[illegible]	[illegible]	26	[illegible]	9,001	–
Colgate-Palm		[illegible]	[illegible]	[illegible]	32	6,326	2.4
Comt'l Bank		1730p	-17	1877p	1278p	1,748	2.3
Dana		[illegible]	[illegible]	[illegible]	[illegible]	1,813	2.7
Data General		650p	+9	851p	527p	179.4	–
Decora Inds	♥	88p	....	146p	39p	–	–
Dun & Brad		[illegible]	....	[illegible]	[illegible]	8,046	3.6
Exxon		36	....	36	[illegible]	2,504	2.2
Echlin		[illegible]	[illegible]	[illegible]	[illegible]	1,304	2.1
FPL		[illegible]	[illegible]	[illegible]	[illegible]	4,748	6.3
Ford Motor		[illegible]	[illegible]	[illegible]	[illegible]	21,185	2.5
Gen Elect		[illegible]	[illegible]	[illegible]	[illegible]	55,939	2.6
General Host	♥	508p	....	729p	456p	–	4.5
Gillette		[illegible]	[illegible]	[illegible]	[illegible]	9,023	1.4
Hasbro		[illegible]	....	[illegible]	[illegible]	1,819	0.8
Honeywell		[illegible]	[illegible]	[illegible]	[illegible]	4,833	2.6

BUSINESS SERVICES

ELECTRICALS - Cont.

ENGINEERING-GENERAL - Cont.

HOTELS & LEISURE - Cont.

INVESTMENT TRUSTS - Cont.

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

MERCHANT BANKS

	Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Pf		111	-1	123½	93	13.9	9.0	-
9¾pc Non-Cum Pf		133¾	—	138	113	53.3	8.1	-
Close Bros.	♣M	464	—	466	250	284.6	3.0	16.9
Hambros	♣□	395	-4	403	243	663.2	4.4	18.2
7½pc Cv Pf		162½	—	164	111½	243.6	5.8	-
Joseph (L)	♣	418	—	420	313	27.9	5.0	-
Kleinwort Benson	♣†□	530	+2	539	312	699.6	3.9	18.4
Rea Bros	♣†□	52	—	54	30	30.4	1.3	55.2
Schroders	♣†M□	1238	—	1338	467½	1,279	1.2	25.1
N/V	†M	1140	—	1315	397½	318.2	1.4	22.7
Singer & Fried	♣M□	80	—	83	46	183.9	4.7	-
Warburg (SG)	♣M□	915	-21	949	529	1,982	2.6	23.2
Wintrust	♣	323	—	325	186	27.4	3.6	28.9

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ✓ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on BMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion.

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT2585. (If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822) Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✝) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set at the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

State Street Unit Trust Mngmt Ltd (1400)F

28 King Street, London SW1 6DW

[illegible]

Stewart Ivory Unit Tst Mgrs Ltd (1200)F

45 Charlotte Sq, Edinburgh

[illegible]

Jupiter Merlin Unit Trust Managers Ltd

Jupiter Merlin Exempt Trust

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity	£14.85	15.14	—	—

Lazard Brothers & Co. Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Property Oct 7	£2253.0	2275.0	—	7.00
Ind Gth Prp Jul 12	£1440.0	1600.0	—	8.50

Lazard Investors Ltd ‡

Exempt Funds

[illegible]

Local Authorities Mutual Invest. Tst.*

2 Fore Street, London EC2Y 5AQ 071-588 1815

[illegible]

* Available only to Local Authorities

M & G Securities Ltd

[illegible]

Morgan Grenfell Investment Funds Ltd

Exempt Funds

[illegible]

Allied Dunbar Assurance Plc - Contd.

Pension Funds

[illegible]

American Life Insurance Co UK

2-8 Altyre Road, Croydon CR9 2LA 081-680 6000

Life Funds (Accumulation Units)

[illegible]

Barclays Life Assur. Co Ltd

252 Romford Road, London E7 081-534 5544

Life Funds

[illegible]

City of Westminster Assurance (z)

PO Box 469, 500 Avebury Blvd, Milton Keynes

Current Series

[illegible]

Clerical Medical/Fidelity Investments

Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds

[illegible]

Friends Provident

Castle Street, Salisbury, Wilts SP1 3SH

Life Funds

[illegible]

Irish Life Assurance Co Plc

[illegible]

MGM Assurance (z)

[illegible]

Norwich Union Life Insurance Soc. - Contd.

[illegible]

INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Prudential Assurance Co

[illegible]

Scottish Amicable - Contd.

[illegible]

Sun Alliance Group - Contd.

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

John Govett (Channel Islands) Ltd (1000)F

Bank Von Ernst & Cie AG – Contd.

Banque Scandinave a Luxembourg SA

INVESCO International Limited – Contd.

Jupiter Tyndall Global Fund

Allianz Sicav

CB Fund International (u)

CSFB Umbrella

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE

D-Mark weaker

THE D-Mark yesterday softened against other important European currencies, *writes Peter Marsh*.

It gained slightly against the dollar as investors weighed up the implications of the continuing weakness in the German economy.

In spite of signs that Germany is some way from returning to growth, the Bundesbank council at its meeting today is thought unlikely to opt for a further reduction in its Lombard and discount interest rates. The council announced a half-a-percentage point cut in both these rates two weeks ago.

A 1 basis point reduction yesterday in the German central bank's 13-day repo rate to 6.39 per cent was dismissed by many market analysts as largely technical.

On a quiet day's trading a talking point among European traders was action by Denmark in cutting its discount and key deposit rates to 7 per cent from 7.25 per cent. The move failed to lead to any noticeable sell-off in the Danish krone. It strengthened slightly against the D-Mark to DKr3.9895 last night from DKr3.9990 at Tuesday's close of trading.

The D-Mark slipped against the French franc to Fr3.484 from FFr3.490 previously, while against the Belgian franc it dropped to BFr21.39 from BFr21.55. It also fell against the lira to L965.3 from L967.4. Against the Spanish peseta, it gained to Pta80.10 from a previous Pta79.98.

People looking for the German currency to return to unmitigated strength gained some consolation from its performance against the dollar. Last night the D-Mark was quoted at DM1.6930 to the US currency, up from DM1.6945 on Tuesday.

Investor preference for the German currency as compared with the dollar was largely because of ideas that the Bundesbank is unlikely to cut its key interest rates for at least another month. Also some investors are concerned that tomorrow's US employment figures may indicate a weakening in US growth.

The pound dropped a pfennig against the D-Mark, closing at DM2.5075 from DM2.5125. This followed from a new spurt of bullishness in financial markets about the prospect for a cut in UK base rates around the end of this month when Mr Kenneth Clarke, the chancellor, presents his first Budget. Against the dollar the pound dropped by about a sixth of a cent to $1.6930 from $1.6945.

Reports from the Bank of England and the Treasury appeared to indicate the UK authorities are relatively optimistic about inflation in the long term. This could leave the way clear for an early cut in interest rates.

● The Greek central bank's reserves rose to $7bn last month from $5bn in October 1992, the Bank of Greece said. Reserves in September were about $6.2bn. The bank has built up reserves recently after fears of a drachma devaluation abated.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 3	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Dutch Guilder	2.19672	2.15493	-1.30	5.20	-
D-Mark	1.94964	1.91972	-1.53	4.81	-
Spanish Peseta	154.250	153.589	-0.43	3.65	3
Irish Punt	0.808628	0.809142	0.06	3.14	0
Belgian Franc	40.2123	41.0062	1.97	1.20	-14
Portuguese Escudo	192.854	197.065	2.18	1.00	-15
French Franc	6.53883	6.69581	2.40	0.78	-30
Danish Krone	7.43679	7.67491	3.20	0.00	-22

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

£ IN NEW YORK

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

FINANCIAL FUTURES AND OPTIONS

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
123	0.75	-	-	0.32	-	-
124	0.28	-	-	0.81	0.27	-
125	0.07	-	-	1.60	0.45	-
126	0.02	-	-	-	0.67	-
127	0.01	-	-	-	1.02	-
Open int	192,493	92,289	250	182,838	78,155	230

Estimated volume 71,060 † Total Open Interest 543,055
† All Yield & Open Interest figures are for the previous day.

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4805	1.4771	1.4721	1.4660	1.4560

BASE LENDING RATES

	%
Adam & Company	6
Allied Trust Bank	6
AIB Bank	6
●Henry Ansbacher	6
Bank of Baroda	6
Banco Bilbao Vizcaya	6
Bank of Cyprus	6
Bank of Ireland	6
Bank of India	6
Bank of Scotland	6
Barclays Bank	6
Brit Bk of Mid East	6
●Brown Shipley	6
CL Bank Nederland	6
Citibank NA	6
City Merchants Bank	6
Clydesdale Bank	6
The Co-operative Bank	6
Coutts & Co	6
Credit Lyonnais	6
Cyprus Popular Bank	6
Duncan Lawrie	6
Exeter Bank Limited	7
Financial & Gen Bank	7
●Robert Fleming & Co	6
Girobank	6
●Guinness Mahon	6
Habib Bank AG Zurich	6
●Hambros Bank	6
Heritable & Gen Inv Bk.	6
●Hill Samuel	6
C. Hoare & Co	6
Hongkong & Shanghai	6
Julian Hodge Bank	6
●Leopold Joseph & Sons	6
Lloyds Bank	6
Meghraj Bank Ltd	6
Midland Bank	6
* Mount Banking	6
NatWestminster	6
Nykredit Mortgage Bnk	6.5
Rea Brothers	6
* Roxburghe Bank Ltd	6
Royal Bk of Scotland	6
●Smith & Williamson Secs	6
Standard Chartered	6
TSB	6
●United Bk of Kuwait	6
Unity Trust Bank Plc	6
Western Trust	6
Whiteaway Laidlaw	6
Wimbledon & Sth West	7
Yorkshire Bank	6

* (in administration)

● Members of British Merchant Banking & Securities Houses Association

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.3)	3 months US dollars		6 months US Dollars	
	bid 3½	offer 3½	bid 3⅝	offer 3⅝

MONEY RATES

LONDON MONEY RATES

MONEY MARKETS

Easier borrowing

A CUT in Danish short-term interest rates yesterday bolstered hopes of easier borrowing conditions across Europe, even though the German Bundesbank failed to reduce its repo rate by more than a tiny fraction, *Peter Marsh writes*.

The Danish central bank reduced its discount and key deposit rates to 7 per cent from 7.25 per cent. This came after the Bundesbank made a largely token cut in its 13-day repo rate, at which it feeds money into the banking system, to 6.39 per cent from 6.4 per cent.

The moves underlined the general trends towards easier monetary policy in continental Europe. However the decision-making Bundesbank council is thought unlikely to lower Germany's internationally important Lombard and discount rates when it meets later today.

At its last gathering two weeks ago, the council brought down both rates by half a percentage point to 6.75 per cent and 5.75 per cent respectively. In its deliberations yesterday, the Danish central bank kept its 14-day money market rate unchanged at 8 per cent.

In Britain hopes of a cut in base rates on or around Budget day on November 30 were given a new lease of life by scrutiny of the Bank of England's quarterly inflation report released on Tuesday night. Although the Bank's economists used highly cautious language in writing the report, they were generally optimistic about inflation trends in the longer term.

That was interpreted by some commentators as increasing the chances of a cut in interest rates around Budget day. It is thought Mr Kenneth Clarke, the chancellor, may announce such an easing to compensate for a tax increase.

Yesterday the December short sterling futures contract – which indicates the market's perceptions of cuts in official short-term interest rates – gained 6 basis points to close at 94.50. The three month interbank rate eased slightly to about 5⅝ per cent from about 5$\frac{11}{16}$ per cent previously.

In the UK money market, the Bank and the discount houses combined fairly smoothly in channelling £425m to the banking system through action by the Bank in buying bills. The relatively small shortage yesterday – estimated by the Bank at £500m – followed several big daily shortages in recent weeks which have proved more difficult to remove. The Bank bought £64m of band 1 bills at 5$\frac{7}{16}$ per cent and £361m of band 2 bills at the same rate of interest.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

AUSTRIA

FRANCE

GERMANY

NETHERLANDS

SWEDEN

SWITZERLAND

NORWAY

SPAIN

ITALY

SOUTH AFRICA

DENMARK

FINLAND

JAPAN

AUSTRALIA

HONG KONG

MALAYSIA

SINGAPORE

CANADA

TORONTO

4 pm close November 3

MONTREAL

4 pm close November 3

INDICES

NEW YORK

DOW JONES	Nov 2	Nov 1	Oct 29	Oct 28	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3697.64	3692.61	3680.59	3687.86	3697.64 (2/11)	3241.95 (20/1)	3697.64 (2/11/93)	41.22 (2/7/32)
Home Bonds	108.23	108.28	109.52	109.52	109.77 (18/10)	102.49 (11/1)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1738.40	1742.24	1737.07	1727.93	1742.24 (1/11)	1453.64 (4/1)	1742.24 (1/11/93)	12.32 (8/7/32)
Utilities	237.87	241.17	240.77	240.18	256.46 (31/8)	217.14 (8/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Indl. Day's High 3724.75 (3708.28) Low 3658.07 (3656.64) (Theoretical)♦
Day's High 3702.95 (3695.12) Low 3667.74 (3674.49) (Actual)♦

STANDARD AND POOR'S

	Nov 2	Nov 1	Oct 29	Oct 28	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	468.44	469.10	467.84	467.73	469.50 (15/10)	429.05 (8/1)	469.50 (15/10/93)	4.40 (1/6/32)
Industrials♥	537.80	537.30	535.46	536.87	537.94 (2/11)	496.48 (26/4)	537.94 (2/11/93)	3.62 (21/6/32)
Financial	44.54	45.17	45.12	45.02	48.40 (26/9)	39.99 (8/1)	48.40 (26/9/93)	8.64 (1/10/74)
NYSE Composite	259.47	259.84	259.36	258.89	260.46 (15/10)	236.21 (8/1)	260.46 (15/10/93)	4.46 (28/4/42)
Amex Mkt. Value	484.28	482.57	481.44	477.35	484.28 (2/11)	395.84 (8/1)	484.28 (2/11/93)	29.31 (9/12/72)
NASDAQ Composite	785.66	783.77	779.26	773.49	787.42 (15/10)	645.87 (26/4)	787.42 (15/10/93)	34.87 (31/10/72)

	Oct 29	Oct 22	Oct 15	year ago (approx.)
Dow Industrial Div. Yield	2.77	2.79	2.81	3.21
	Oct 27	Oct 20	Oct 13	year ago (approx.)
S & P Industrial div. yield	2.42	2.20	2.47	2.68
S & P Indl. P/E ratio	28.51	28.48	28.00	27.52

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
IBM	10,199,500	50¼	+ 3
Grt West Fin	6,030,700	20⅞	+ 1⅞
Mirage Res	5,180,600	22⅞	- ⅛
Horizon	4,283,200	24½	—
Pacific Tel	3,379,200	56⅞	+ 4⅞
RJR Nabisco	3,239,200	6	+ ⅛
Wal-Mart	3,025,000	27	+ ⅞
Gen. Motors	2,619,300	49	+ ⅛
Mylan Labs	2,452,300	31⅞	- ⅛
Merck	2,408,600	31⅞	- ⅛

TRADING ACTIVITY

† Volume (Millions)	Nov 2	Nov 1	Oct 29
New York SE	304.739	253.847	269.568
Amex	20.381	19.394	20.288
NASDAQ	(u)	273.127	286.568
NYSE			
Issues Traded	2,663	2,654	2,659
Rises	880	1,075	1,195
Falls	1,139	960	808
Unchanged	634	618	656
New Highs	113	125	87
New Lows	31	19	21

CANADA

TORONTO	Nov 2	Nov 1	Oct 29	Oct 28	1993 HIGH	1993 LOW
Metals & Minerals	3086.40	3077.42	3080.71	3070.71	3140.94 (18/8)	2743.31 (21/7)
Composite	4250.30	4248.02	4235.80	4235.20	4255.60 (29/10)	3275.80 (21/1)
MONTREAL Portfolio	2025.82	2027.21	2024.23	2020.86	2027.21 (1/11)	1720.97 (21/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

TOKYO - Most Active Stocks

Tuesday, November 2, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toshiba Corp	4.4m	708	-5	Sony Corp	2.1m	4,970	+10
Nippon Steel	3.3m	327	+1	Sumitomo Bank	2.0m	2,400	+10
Honda Motor	3.1m	1,620	+10	Daiichi Kangyo	1.9m	2,380	
Sumitomo Mtl Min	2.2m	880	-6	Hitachi	1.9m	853	-6
Mitsubishi Heavy	2.2m	670	+9	Mitsubishi Bank	1.7m	3,090	+10

4 pm close November 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	1993 Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
14 5/8	11 1/2	AAR	0.48	3.4	700	60	14 1/8	14	14	
29 1/8	13 3/4	A L Labs A	0.18	1.2	31	962	15 7/8	15 3/8	15 1/2	-1/8
67 3/4	54 5/8	AMP	1.60	2.6	22	2386	62 7/8	62	62 1/8	-1/2
72 3/8	55 1/2	AMR			55	2299	70 1/8	69 3/4	69 7/8	+5/8
3 7/8	1 3/4	ARX			13	104	3 3/4	3 5/8	3 5/8	
51 1/2	29 7/8	ASA	2.00	4.3	30	1196	46 3/8	44 1/2	46 1/8	+1 3/8
30 3/4	22 7/8	AbbotL	0.68	2.4	17	13185	29 1/8	28 1/2	28 3/4	
12 5/8	9 3/4	Abitibi Pr	0.50	4.8	6	3	10 1/2	10 1/2	10 1/2	
15 5/8	8 3/4	Acpincoln			45	66	14 3/4	14 1/2	14 1/2	-1/4
36	25 1/2	ACE Ltd	0.92	2.9		1749	32 1/8	31 1/2	31 5/8	-1/2
12	10 3/4	ACM Gvt In	0.96	8.3		1273	11 3/4	11 5/8	11 5/8	
10 1/8	9 1/2	ACM GvOpp	0.80	7.9		29	u10 1/8	10	10 1/8	+1/8
10	8 3/4	ACM Gvt So	0.80	8.1		1441	9 7/8	9 3/4	9 7/8	+1/8
11 5/8	10 1/2	ACM Gvt Se	0.96	8.3		247	u11 5/8	11 1/2	11 1/2	
11 3/4	9 5/8	ACM Man	1.08	9.2		51	u11 3/4	11 5/8	11 3/4	+1/8
9 1/2	5 5/8	ACM Managd	0.72	7.8		188	9 3/4	9 1/8	9 1/4	+1/8
12 3/8	7 3/4	AcmeClv	0.44	4.5	13	63	10 1/8	9 3/4	9 3/4	-3/8
11 3/8	5 5/8	Acme Elect			67	154	9 3/4	9 1/4	9 1/2	-3/8
27 5/8	18 3/8	AcordCa	0.44	1.8	13	231	24 1/4	23 7/8	24	-1/8
18	10 1/2	Acuson			61	223	14	13 5/8	13 5/8	-1/4
27 3/8	18 1/4	Adams Expr	0.48	2.5	0	295	19 3/8	19 1/8	19 1/8	-1/4
65 1/4	45 1/2	AdvMicro	3.00	6.1		79	49 5/8	48 3/4	49 1/4	-5/8
32 3/4	17 5/8	AdvMic	3.00	15.3	7	6754	30	19 1/8	19 5/8	-1/2
8 1/8	6 1/2	Advest Grp	0.16	2.2	12	121	7 1/2	7 1/4	7 1/4	-1/4
24 3/4	14 3/4	Advo Inc	0.08	0.5	71	581	15 1/4	15	15	+1/8
51 3/4	41 1/8	Aegon ADR	1.23	2.4	10	430	51 3/8	51	51	-1/8
65 1/4	43 3/8	AetnaL	2.76	4.5	26	4461	63 3/4	60 3/8	61	-2 1/2
34	26 3/8	Aflac	0.40	1.4	14	1924	30 5/8	29 1/8	29 3/8	-1
22 1/8	16 3/4	Ahmson	0.88	4.6	8	5816	19 3/4	18 7/8	19	
7 3/4	3 5/8	Aileen Inc			6	448	5 1/8	4 1/2	4 5/8	-5/8
45 1/2	24 7/8	AirPrd	0.92	2.2	24	1576	43 7/8	42 5/8	42 5/8	-1
30 7/8	18 3/8	Airbne Frt	0.30	1.0	25	563	30 5/8	30 1/4	30 5/8	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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Continued on next page

NYSE COMPOSITE PRICES

4 pm close November 3

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close November 3

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Jones Med	0.10	30	804	16 7/8	15 5/8	15 5/8	-1 1/4
Joslyn Cp	1.16	11	25	25 1/2	24 3/4	24 3/4	-3/4
JSB Fin	0.64	13	420	24 1/2	24	24	
Juno Ltg	0.24	20	556	u20	19 1/2	19 1/2	-1/2
Justin	0.16	14	274	18	17 1/4	17 1/4	-3/4

- K -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
K Swiss		11	1179	21 1/2	19 3/4	20	-1 1/4
Kaman Cp	0.44	5	1100	9 3/4	d8 3/4	9	-5/8
Karcher C	0.08	25	640	9 1/8	8 7/8	9	
Kaydon Cp	0.36	13	558	22 1/4	21 1/4	21 3/4	-1/4
KelleyOil		111	898	12 1/4	11 3/4	12 1/4	
Kelly Sv	0.64	23	3377	28 1/4	27	27 1/2	
KenCentrl	0.44	1	1187	3 3/4	3 3/8	3 3/8	
Kentucky	0.11	6	14	6 3/4	6 3/4	6 3/4	
Kimball	0.84	20	189	32 1/2	31 7/8	31 7/8	-7/8
Kirschner		425	49	8 1/2	8 1/2	8 1/2	-1/8
KLA Instr		37	6219	20 3/4	19 3/4	19 3/4	-1
Knowledge		8	822	16 1/4	15 1/2	15 7/8	-3/8
Komag Inc		14	5506	16 3/4	15	15 3/4	-1/2
Kulicke S		550	2868	24	21 1/2	22	-2

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AMEX COMPOSITE PRICES

4 pm close November 3

AMERICA

Dow steps down from record levels

Wall Street

US SHARE prices eased off record highs yesterday amid further declines in bonds and a mixed report on the economy from the Federal Reserve, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 14.53 at 3,683.11. The more broadly based Standard & Poor's 500 was 3.49 lower at 464.95, while the American SE composite was up 0.23 at 484.51 and the Nasdaq composite down 6.30 at 779.36. Trading volume on the NYSE came to 179m shares by 1 pm.

Profit-taking took its toll of share prices yesterday morning as investors booked some of the gains earned over the last few days.

Fresh declines in bond prices also set the tone for a downbeat morning's trading. Although bonds opened steady, a lack of buying and uncertainty ahead of the afternoon announcement of the Treasury's November refunding programme eventually pushed prices lower, further deepening concern among equity investors that the long bond market rally may have peaked.

By early afternoon the 30-year benchmark issue was down half a point, and the yield was up to 6.094 per cent.

The day's economic news had little impact upon sentiment.

The Federal Reserve published its "beige book" report on the state of the economy, and reported that economic activity continued to grow at a "slow to moderate pace". The Fed also noted that inflationary pressures at the retail level remained subdued.

Among individual stocks, hopes for sustained strength in car sales lifted the big car manufacturers, in spite of weakness in other economically-sensitive stocks.

Ford rose $½ to $64¼, General Motors added $½ at $49¼, and Chrysler firmed $¾ to $58¼, all in active trading.

Drug stocks were back in favour, with Pfizer rising $2½ to $64½, Bristol Myers Squibb adding $1½ at $60⅝ and Merck firming $⅞ to $32⅝.

Banc One fell $⅜ to $36⅝ after announcing the acquisition of Liberty National, a Kentucky based banking group, in a stock deal worth $784m at current prices. The news lifted Liberty National shares, which are listed on the Nasdaq market, by $1⅝ to $29⅝.

Other bank stocks were weaker, unsettled by rising long-term interest rates. Chemical eased $⅞ to $39⅝, Citicorp fell $⅞ to $35⅝, Chase Manhattan gave up $⅝ at $32½ and JP Morgan dropped $⅝ to $70¼.

Pacific Telesis plunged $3⅝ to $55⅝ in the wake of a downgrade from the securities house, Goldman Sachs, which lowered the telecommunications company's stock from "trading buy" to "market performer", citing price reasons.

On the Nasdaq market, Snapple Beverage rose $2 to $25 after the soft drinks company reported improved third quarter profits.

Canada

TORONTO moved forward at midday, helped by gains in precious metals, transportation and the property sector.

The TSE-300 composite index was 10.03 higher at 4,260.34 in volume of 49.9m shares valued at C$375.3m.

Among the most actives Placer Dome was up C$⅜ at C$31¼.

SOUTH AFRICA

JOHANNESBURG saw selective interest in industrials, where a rise of only 2 to 4,559 in the sector index masked a gain of 25 cents to R38.90 in Richemont. Golds advanced 21 to 1,724 and the overall index added 28 at 3,942.

EUROPE

Amsterdam rises as Akzo exceeds expectations

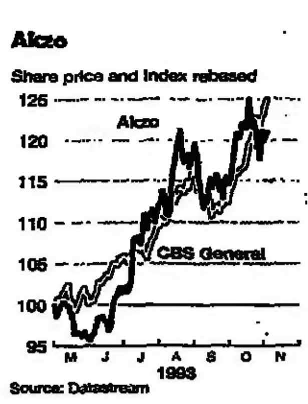
THE Continental accent switched again yesterday, as Frankfurt subsided and Amsterdam extended this week's relative strength, *writes Our Markets Staff.*

AMSTERDAM was surprised and generally wrong-footed as Akzo's third quarter results exceeded expectations. The chemicals group soared nearly 7 per cent, closing Fl 13.30 higher at Fl 194.20, helping the the CBS Tendency index to a gain of 2.3 or 1.7 per cent at 140.0.

Most analysts had been expecting Akzo to show profits of between Fl 120m-Fl 140m, up from Fl 162m. Instead, the company turned in Fl 169m and, said Mr Shaw Bridges, European chemicals analyst at Merrill Lynch, the figures revealed that the management had come to grips with priorities like restructuring measures.

According to other analysts, Akzo's announcement suggested that the bottom had now been reached in its decline and that it was well placed to reap the benefits once Europe emerged from recession. The results had been helped, they added, by a stronger dollar and improvement in the PVC market. DSM was pulled along in Akzo's wake, adding Fl 2.30 to Fl 105.30.

Akzo



Source: Datastream

KLM and Philips are due to report today and some analysts commented that a set of good results from both could be in store. KLM, which remains subject to gains and losses on rumours surrounding the progress or otherwise of the Alcazar talks – an announcement may come this weekend – rose Fl 1.90 to Fl 41.90. Philips put on Fl 1.00 to Fl 40.30.

FRANKFURT registered an intraday high of 2,101.60, but the DAX index fell back to close 11.22 lower at 2,084.36 after Tuesday's 33.46 gain.

Turnover declined from DM11.1bn to DM8.9bn. Dealers fell back on sector rotation, moving to construction, one of the few areas where prices are not at their high for the year. Strabag Bau jumped DM19.00 to DM610.00 and Bilfinger & Berger by DM25.00 to DM942.00; Hochtief put on DM37.00, or 3.4 per cent to DM1,123.00 and Holzmann byDM38.00, or 4.1 per cent to DM967.00.

Among blue-chips, Daimler reacted to Tuesday's news of a possible dividend cut by falling DM9 to DM743, but Volkswagen, strongly higher on Monday and Tuesday, shed proportionately more, closing DM7.50 down at DM400.

PARIS was little changed on the day, the CAC-40 index rising just 1.45 to 2,171.16.

Peugeot generated some interest in reaction to a rise in third quarter turnover, reported after Tuesday's close, and the shares advanced FFr23 to FFr669, still some 5.2 per cent down from the year's high recorded in mid-August.

James Capel remains bearish on the vehicle group: Mr Bob Barber noted that in spite of a good month in July, when sales benefited from the availability of diesel versions of two popular models, the following two months revealed a loss of market share. He concluded that fourth quarter results would be disappointing, should this trend continue.

MILAN felt constrained by political uncertainties ahead of local elections on November 21 and worries about the budget's passage through parliament; the Comit index eased 0.94 to 578.68.

Olivetti tried to pick up some of Tuesday's declines before the shares again turned lower, down L18 at L1,730. Fiat shed L144 to L1,730 on arbitrage trade with the rights.

ZURICH survived a late bout of profit-taking to finish at another record high, the SMI index adding 7.0 to 2,749.9.

The insurance sector continued to benefit from Winterthur's forecast on Tuesday of higher full-year profits. Winterthur added SFr13 to SFr662.

SBC rose SFr3 to SFr499 in response to its forecast of substantially higher full year profits.

Swissair added SFr28 to SFr725 as its chief executive was quoted as saying there could be a breakthrough in the Alcazar talks by the end of the week.

DUBLIN advanced 1.6 per cent to a new year high, the ISEQ overall index rising 28.93 to 1,849.27.

The market has been driven higher in recent days by Smurfit on expectations of an improved pricing structure in the US paper and packaging sector. Its shares added 12p or 5 per cent to I£2.52.

Nordic forestry stocks rose sharply, by 5.4 per cent in STOCKHOLM on the view that the sector had underperformed the broad market, and by 3.9 per cent in HELSINKI in a direct response to the industry's price rise plans.

Swedish equities were lifted, additionally, by lower bond yields, the Affärsvärlden General index rising 19.30 to a new high of 1,443.30; in Finland, the Hex index peaked 38.3, or 2.4 per cent higher at 1,607.7.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

November 3 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1383.89	1385.38	1384.26	1383.71	1382.54	1381.82	1380.78	1381.11
FT-SE Eurotrack 200	1442.31	1443.85	1443.35	1443.39	1443.36	1442.00	1442.09	1442.07

	Nov 2	Nov 1	Oct 29	Oct 28	Oct 27
FT-SE Eurotrack 100	1382.36	1375.31	1374.61	1369.48	1367.82
FT-SE Eurotrack 200	1444.39	1440.75	1439.46	1435.53	1430.55

Base value 1000 (26/10/90) High/day: 100 - 1385.61; 200 - 1444.52 Low/day: 100 - 1378.94 200 - [illegible]

Written and edited by William Cochrane, John Pitt and Michael Morgan.

ASIA PACIFIC

Hong Kong and Bangkok turn back after bull runs

SHARP reverses were suffered in Hong Kong and Bangkok, although other markets continued the region's record-setting run. Tokyo was closed for a national holiday.

Mr Michael Franklin of James Capel said that given the region's performance so far this year, it was due for a consolidation. He believed some centres would now "catch their breath" in preparation for the rally that traditionally precedes the Chinese New Year

HONG KONG retreated 3 per cent as a late wave of profit-taking pulled the Hang Seng index 290.80 lower to 9,352.11. The correction was attributed to short-term speculative activity by investors keen to book some profits after the market's 25.6 per cent bull run since the start of October.

Among the most active blue chips, HSBC Holdings fell HK$2.50 to HK$88, Cheung Kong lost HK$1.25 to HK$36.25, Sun Hung Kai Properties fell HK$2.50 to HK$54.50 and Hong Kong Telecom dropped 70 cents to HK$16.50.

In a recent strategy report, Kim Eng Securities noted that much of the recent aggressive buying activity had centred on blue chip stocks, leaving most at post 1987 highs in p/e ratio terms. However, this had occurred in the absence of any improvement in economic or political fundamentals.

Kim Eng commented that while the current wave of liquidity might well continue in the short term, there would have to be a return to fundamentals. "Therefore, until there has been a consolidation of the index at these new higher levels, we think that many of the main second line stocks offer better value than blue chips."

BANGKOK fell 4 per cent in an active day of rollercoaster trade over a 100-point range. The SET index closed 54.36 down at 1,303.39 after a six-day rising streak that has seen the market advance 18.1 per cent. Turnover surged to a record Bt36.3bn: the previous record, set on Monday, was Bt28bn but that compared with a daily average of Bt3bn to Bt4bn at the end of last month.

The fall came in a market beset by apparently baseless rumours of impending political upheavals and a farmers' protest march to Bangkok.

SEOUL succumbed to heavy institutional profit-taking and the composite index, which managed a 15-point rally early in the day, gave up the advance to finish 2.55 lower on balance at 756.87.

AUSTRALIA saw its second consecutive fall in the absence of foreign buyers and the All Ordinaries index, down 25 points at one stage, recovered slightly to end 16.9 off at 2,108.4 in turnover of A$536.7m.

Blue chips to suffer included News Corp, which lost 30 cents at A$11.04, after a day's low of A$10.88. Analysts commented that the stock was affected by a proposal to issue so-called super voting shares.

NEW ZEALAND finished easier but above the day's lows as the market demonstrated some fatigue in the run-up to Saturday's election. The NZSE-40 capital index, which had posted gains over the previous eight trading sessions, shed 4.62 to 2,198.46 in turnover of NZ$62m.

SINGAPORE climbed to another record close, the Straits Times Industrial index adding 3.58 at 2,127.43, with activity again focused on cheaper priced issues.

The market was led forward by a 70-cent, or 4.8 per cent, advance in Singapore Press Holdings to S$15.30.

BOMBAY moved higher on buying triggered by false rumours of a resolution of the stand-off between separatists and the government at Kashmir's most sacred mosque.

The BSE 30-share index ended 18.73 ahead at 2,630.98.

Local newspapers reported that the army siege of the mosque was lifted after the government reached an agreement with the militants, but the government subsequently denied the reports and said negotiations were continuing.

MANILA was propelled to an all-time closing peak by pent-up domestic and foreign institutional demand as the market returned to work after a four-day holiday. The composite index moved ahead 94.71 to 2,467.54, following last Friday's 46-point advance, in volume of 1.2bn shares.

Mr Matthew Sutherland of Asia Equity noted that in spite of repeated calls for a correction, "the index never manages to consolidate for more than a day before pushing back up again". He believed the market was still good value at current levels, seeing bright prospects for the economy in 1994, with corporate earnings far exceeding consensus forecasts of around 17 per cent.

TAIWAN rose to its best level for almost five months amid hopes that the central bank may ease credit further at its board meeting today. The weighted index ended 55.49 stronger at 4,283.34, after touching 4,298.99. Turnover of T$51.13bn was the heaviest since April.

KUALA LUMPUR rebounded to finish generally higher as investors sought second line stocks and the composite index gained 9.67 at 982.03.

Equity markets vary in Latin America

By John Pitt

Variations in equity market performance characterised the Latin American region last week.

According to data supplied by the IFC, the private sector division of the World Bank, Brazil registered the strongest gain in dollar terms. However, the market remains highly volatile and the Bovespa index started this week, for instance, with a gain of 9 per cent, partly on renewed rumours of the announcement of an economic stabilisation plan.

But as Baring Securities notes, for many institutions the risk of being out of Brazilian equities is still perceived as being greater than being in.

Of the region's smaller markets, Peru has attracted heavy foreign buying. Some measures conflict with the pattern shown by the IFC table, and there are indications elsewhere that Peru has shown the best performance in dollar terms over the year to date.

The approval of a new constitution in Sunday's referendum, says Mr Robert Simpson, a director of the Latin American desk at BZW in London, provides a new incentive; while privatisation proposals, expected to be in place by the end of the year, will boost market capitalisation and generate fresh overseas interest. A fall in inflation to around 1.8 per cent per month has also been encouraging.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Oct 29 1993	% Change over week	% Change on Dec '92	Local currency terms Oct 29 1993	% Change over week	% Change on Dec '92
Latin America							
Argentina	(11)	821.66	-3.9	+41.6	504,194.15	-3.9	+42.0
Brazil	(44)	225.83	+10.4	+80.6	49,530,147.49	+10.4	+2,277.9
Chile	(20)	463.85	-1.3	+10.8	768.08	-1.3	+19.8
Colombia[1]	(8)	515.46	-2.1	+21.2	747.68	-1.8	+22.3
Mexico	(58)	781.13	-0.3	+15.5	1,048.23	-0.2	+15.4
Peru[2]	(7)	118.16	+4.0	+18.2	156.11	+4.0	+56.1
Venezuela[3]	(8)	603.70	-9.2	+16.2	1,371.71	-8.6	+46.9
East Asia							
South Korea[4]	(130)	98.79	-0.2	+0.6	105.04	-0.3	+3.2
Philippines	(11)	234.87	+3.4	+75.9	328.48	+4.5	+103.2
Taiwan, China[5]	(76)	84.31	+0.7	+14.3	84.16	+0.5	+20.7
South Asia							
India[6]	(61)	90.42	-1.9	-3.5	100.00	-1.8	+4.7
Indonesia[7]	(31)	97.73	-0.5	+66.5	111.56	-0.5	+69.6
Malaysia	(61)	274.48	+2.2	+67.8	258.96	+2.6	+64.1
Pakistan[8]	(8)	268.56	+4.6	+34.2	364.66	+4.6	+57.3
Sri Lanka[9]	(5)	148.59	+10.4	+46.6	158.99	+10.4	+59.0
Thailand	(52)	360.48	+10.7	+56.5	362.70	+11.1	+55.6
Euro/Mid East							
Greece	(17)	224.70	-0.9	+15.1	366.21	-2.5	+28.6
Jordan	(5)	165.51	-3.6	+41.7	237.31	-3.1	+42.1
Portugal	(16)	109.73	-0.7	+42.2	131.06	-0.2	+68.1
Turkey[10]	(31)	172.15	+1.1	+157.4	1,043.85	+1.9	+289.2

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Jan 3 1992; (5)Jan 4 1991; (6)Nov 6 1992; (7)Sep 28 1990; (8)Mar 1 1991; (9) Dec31 1992; (10)Aug 4 1989.

FT-ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY NOVEMBER 2 1993 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY NOVEMBER 1 1993 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993 High	1993 Low	Year ago (approx)
Australia (68)	162.12	–0.4	162.13	110.16	142.62	160.07	–0.3	3.24	162.83	163.00	111.37	143.38	160.55	162.83	117.39	114.46
Austria (17)	178.87	+0.3	178.88	121.55	157.58	157.74	+0.5	1.00	178.34	178.53	121.98	157.02	156.94	184.47	131.16	148.13
Belgium (42)	151.27	+1.3	151.28	102.78	133.26	136.35	+0.6	4.22	149.33	149.49	102.13	131.47	135.52	156.76	131.19	139.65
Canada (107)	134.34	+0.8	134.35	91.28	118.34	127.05	–0.1	2.63	133.31	133.45	91.17	117.37	127.13	134.34	111.41	119.99
Denmark (32)	238.58	+0.9	238.60	162.13	210.18	219.93	+0.5	1.03	236.38	236.64	161.68	208.12	218.86	239.12	185.11	187.86
Finland (23)	125.00	+1.0	125.00	84.94	110.12	151.93	+0.9	0.69	123.71	123.84	84.61	108.92	150.54	125.88	65.50	68.79
France (98)	166.43	–0.2	166.44	113.09	146.61	154.42	–0.4	3.01	166.73	166.90	114.02	146.78	155.02	173.05	142.72	148.58
Germany (60)	134.67	+1.5	134.68	91.52	118.64	118.64	+1.5	1.79	132.72	132.86	90.79	116.85	116.85	136.13	101.59	104.56
Hong Kong (55)	386.88	+0.5	386.91	262.89	340.85	383.78	+0.5	2.76	384.90	385.31	263.25	338.90	381.81	386.88	218.82	254.34
Ireland (14)	174.61	+1.7	174.62	118.65	153.82	176.05	+1.4	3.18	171.66	171.84	117.41	151.14	173.64	174.61	129.28	130.79
Italy (70)	68.41	+0.5	68.41	46.48	60.26	83.76	–0.2	2.00	68.06	68.13	46.55	59.92	83.94	78.93	53.78	59.74
Japan (469)	151.77	+0.8	151.78	103.13	133.72	103.13	+0.2	0.80	150.54	150.70	102.96	132.56	102.96	165.91	100.75	104.80
Malaysia (69)	477.85	+0.7	477.87	324.69	420.95	471.31	+0.8	1.45	474.73	475.24	324.68	417.96	468.33	477.85	251.66	276.47
Mexico (19)	1850.14	+0.0	1850.25	1257.22	1629.91	6331.51	+0.0	0.78	1850.14	1852.13	1265.40	1628.95	6331.51	1867.70	1410.30	1480.43
Netherland (25)	195.74	+0.5	195.75	133.01	172.45	170.06	+0.6	3.22	194.70	194.90	133.16	171.42	169.06	195.74	150.39	153.60
New Zealand (13)	68.36	+0.0	68.37	46.46	60.23	65.44	+0.0	3.39	68.38	68.46	46.77	60.21	65.44	68.38	40.56	37.70
Norway (23)	182.60	+0.5	182.61	124.08	160.87	182.78	+0.5	1.40	181.58	181.78	124.19	159.88	181.95	185.10	137.71	138.02
Singapore (38)	323.03	+1.3	323.05	219.51	284.58	236.62	+1.2	1.43	318.83	319.18	218.07	280.71	233.84	332.55	207.04	197.64
South Africa (60)	211.70	–0.2	211.71	143.85	186.49	196.88	+0.2	2.70	212.07	212.30	145.04	186.71	196.53	218.72	144.72	143.76
Spain (42)	141.79	–0.7	141.80	96.35	124.91	145.55	–0.5	4.06	142.86	143.01	97.71	125.78	146.32	145.24	115.23	109.89
Sweden (36)	200.04	–0.8	200.05	135.93	176.23	242.31	–1.0	1.39	201.67	201.89	137.93	177.56	244.73	208.92	149.70	159.31
Switzerland (50)	146.71	+0.8	146.72	99.70	129.26	136.47	+0.8	1.59	145.50	145.65	99.52	128.12	135.39	146.18	108.91	110.19
United Kingdom (218)	190.23	+0.1	190.24	129.25	167.57	190.24	+0.0	3.75	190.08	190.29	130.00	167.34	190.29	193.97	162.00	166.16
USA (519)	190.78	–0.2	190.79	129.64	168.08	190.78	–0.2	2.70	191.08	191.29	130.70	168.25	191.08	191.56	175.38	171.46
Europe (750)	160.79	+0.4	160.80	109.26	141.66	155.16	+0.2	2.92	160.22	160.39	109.58	141.07	154.78	162.97	133.92	134.33
Nordic (114)	190.46	–0.1	190.47	129.42	167.79	200.51	–0.3	1.22	190.63	190.84	130.39	167.84	201.15	194.54	142.13	145.24
Pacific Basin (713)	160.52	+0.7	160.53	109.08	141.42	113.32	+0.2	1.06	159.33	159.50	108.98	140.29	113.10	168.80	105.89	109.84
Euro-Pacific (1463)	160.52	+0.6	160.53	109.07	141.41	130.04	+0.2	1.83	159.59	159.76	109.14	140.50	129.76	162.86	117.26	119.75
North America (626)	187.26	–0.1	187.27	127.26	165.00	186.41	–0.2	2.70	187.48	187.69	128.24	165.10	186.71	187.68	171.51	168.26
Europe Ex. UK (532)	141.79	+0.5	141.80	96.37	124.94	134.30	+0.4	2.39	141.03	141.18	96.48	124.20	133.74	143.73	112.51	114.99
Pacific Ex. Japan (244)	245.12	+0.3	245.13	166.59	215.96	226.34	+0.3	2.59	244.37	244.64	167.16	215.18	225.59	245.12	152.70	159.33
World Ex. US (1649)	161.26	+0.6	161.27	109.59	142.07	132.25	+0.2	1.85	160.35	160.52	109.68	141.18	131.98	162.89	118.51	120.83
World Ex. UK (1950)	168.13	+0.3	168.14	114.26	148.14	146.53	+0.1	2.00	167.60	167.78	114.64	147.58	146.41	169.66	134.22	134.19
World Ex. So. Af. (2108)	169.91	+0.3	169.92	115.47	149.70	150.02	+0.1	2.17	169.40	169.58	115.87	149.16	149.92	170.46	137.29	137.04
World Ex. Japan (1699)	181.67	+0.1	181.68	123.46	160.07	177.78	+0.0	2.75	181.53	181.72	124.17	159.85	177.74	181.67	157.47	155.26
The World Index (2168)	170.09	+0.3	170.10	115.58	149.85	150.45	+0.1	2.17	169.58	169.76	115.99	149.32	150.35	170.68	137.32	136.97

Latest prices were unavailable for this edition.